1. BACKGROUND OF THE COMPANY

The Company was incorporated in the Cayman Islands on 29th September, 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Its shares had been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 17th May, 2001. On 20th January, 2003, the Company withdrew the listing of its shares on the GEM and on the same date, the Company's shares were listed on the Main Board of the Stock Exchange by the way of introduction.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAP") and Interpretations issued by the Hong Kong Society of Accountants ("HKSA"), 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. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of land and buildings as explained in the accounting policies set out below.

(c) Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Subsidiaries *(continued)*

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 any impairment losses (see note 2(h)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case it is stated at fair value with changes in fair value recognised in the consolidated income statement as they arise. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 2(e).

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

In the Company's balance sheet, its investment in the associate is stated at cost less impairment losses (see note 2(h)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of subsidiaries, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 2(h)).

In respect of acquisition of associates, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 2(h)) is included in the carrying amount of the interests in the associates.

Negative goodwill arising on acquisition of subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

In respect of any negative goodwill not yet recognised in the consolidated income statement:

— for subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

— for associates, such negative goodwill is included in the carrying amount of the interests in associates.

On disposal of a subsidiary or an associate during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement is included in the calculation of the profit or loss on disposal.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Fixed assets

(i) Fixed assets are carried in the balance sheets on the following bases:

— land and buildings held for own use are stated in the balance sheet at their revalued amount, being their open market value at the date of revaluation, and subsequent cost less any subsequent accumulated depreciation (see note 2(g)) and impairment losses (see note 2(h)). Revaluations are performed by qualified valuers 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;

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

— machinery and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 2(g)) and impairment losses (see note 2(h)).

(ii) Changes arising on the revaluation of land and buildings held for own use are generally dealt with in property revaluation reserve. The only exceptions are as follows:

— when a deficit arises on revaluation, it will be charged to the income statement, if and 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 the income statement, if and to the extent that a deficit on revaluation in respect of that same asset, had previously been charged to the income statement.

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal. Any related revaluation surplus is transferred from the property revaluation reserve to retained profits.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Depreciation

(i) No depreciation is provided on construction-in-progress until the construction work is completed.

(ii) Depreciation is calculated to write off the cost or valuation less estimated residual value of other fixed assets over their estimated useful lives as follows:

— leasehold land is depreciated on a straight-line basis over the remaining term of the lease;

— buildings are depreciated on a straight-line basis over the shorter of their estimated useful lives, being 25 years from the date of completion, and the remaining terms of the leases; and

— other fixed assets are depreciated on a straight-line basis over their estimated useful lives as follows:

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

(h) Impairment of 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:

— fixed assets (other than properties carried at revalued amounts);

— investments in subsidiaries; and

— interests in associates.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Impairment of assets *(continued)*

(i) *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).

(ii) *Reversals of impairment losses*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

A reversal of impairment losses 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 the income statement in the year in which the reversals are recognised.

(i) Inventories

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

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

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) 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 charges 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 cash flow statement.

(k) Employee benefits

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

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and a mandatory central pension scheme organised by the People's Republic of China ("PRC") government are recognised as an expense in the income statement as incurred.

(iii) When the Group grants employees options to acquire shares of the Company, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.

(l) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Provisions and contingent liabilities

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

(n) Revenue recognition

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is recognised in the income statement as follows:

(i) *Sales of goods*

Revenue is recognised when goods are delivered and title has passed. Revenue excludes value-added tax and is stated after deduction of any trade discounts.

(ii) *Interest income*

Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and the interest rate applicable.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Research and development costs

Research costs are written off as incurred. Development costs are charged against income in the period in which they are incurred, except for those incurred for specific projects which are deferred where recoverability can be foreseen with reasonable assurance and which comply with the following criteria: (i) the costs attributable to the product or process can be separately identified and measured reliably; (ii) the technical feasibility of the product or process can be demonstrated; (iii) there is an intention to produce and market, or use, the product or process; (iv) the ability to produce or use the product or process can be demonstrated; (v) the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness, can be demonstrated; and (vi) adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process. Deferred development costs are amortised on a straight-line basis over the period in which the related products or processes are expected to be sold or used, starting from the commencement of sales or the utilisation of the product or process. No development costs were deferred as at 30th June, 2003 and 2002.

(p) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement 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.

(q) Translation of foreign currencies

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). In the accounts of the individual companies, transactions in other currencies during the year are translated into the respective functional currencies at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in other currencies are translated into their respective functional currencies at the applicable exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement of the individual companies.

The Group prepares consolidated financial statements in Chinese Renminbi. For the purpose of consolidation, the results of subsidiaries with functional currencies other than Chinese Renminbi are translated into Chinese Renminbi at the average exchange rates for the year; balance sheet items are translated into Chinese Renminbi at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in the exchange reserve. There were no material exchange differences arising on translation during the years ended 30th June, 2003 and 2002.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Borrowing costs

Borrowing costs are expensed in the income statement 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 expenditures for the asset are 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 completed.

(s) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(t) 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

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 fixed assets. 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, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

3. CHANGES IN ACCOUNTING POLICIES

The effects of the adoption of the applicable new or revised SSAPs issued by the HKSA on the results and financial position of the Company and the Group are as follows:

(a) SSAP 1 (Revised) "Presentation of financial statements"

The consolidated statement of recognised gains and losses is replaced by the consolidated statement of changes in equity.

(b) SSAP 11 (Revised) "Foreign currency translation"

In prior years, the results of subsidiaries which are not denominated in Chinese Renminbi were translated into Chinese Renminbi at the rates of exchange ruling at the balance sheet date. With effect from 1st July, 2002, in order to comply with SSAP 11 (revised) issued by the HKSA, the Group translates the results of these subsidiaries at the average exchange rate for the year. The effect of this change in accounting policy is not material and, therefore, the opening balances have not been restated.

(c) SSAP 34 "Employee benefits"

This SSAP 34 prescribes the accounting and disclosure requirements for employee benefits. This has had no major impact on the financial statements.

4. TURNOVER

The Company acts as an investment holding company and the Group is principally engaged in the provision of electronic manufacturing services and the manufacture and sale of electronic products.

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.

5. OTHER REVENUE

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Income from a co-operation agreement for trading of electronic components	—	2,241
Interest income from banks	**614**	80
	614	2,321

6. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

(a) Finance costs

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Interest on bank loans wholly repayable within five years	**2,567**	2,739
Interest on loans from Fujian Furi Electronics Co., Ltd.	**—**	828
Total borrowing costs	**2,567**	3,567

(b) Staff costs

Contributions to defined contribution plans	**1,382**	1,203
Salaries, wages and other benefits	**11,011**	9,732
Total staff costs	**12,393**	10,935
Less: Amount included in cost of sales	**(6,158)**	(5,109)
Amount included in research and development costs	**(496)**	(482)
	5,739	5,344

6. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION *(continued)*

(c) Other items

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Cost of inventories (excluding write-back of provision for obsolete and slow-moving of inventories)	**124,117**	101,212
Depreciation of fixed assets	**9,139**	7,894
Deficit on revaluation of land and buildings	**752**	—
Operating lease rentals of premises	**1,419**	1,291
Research and development costs	**542**	518
Auditors' remuneration		
— current year	**530**	424
— underprovision in prior years	**—**	47
Write-back of provision for obsolete and slow-moving inventories	**—**	(954)
(Write-back of provision)/provision for bad and doubtful debts	**(2,460)**	1,970
Bad debts written off	**2,363**	2,167
Write-off of long outstanding creditors	**(204)**	(1,459)
Gain on disposal of fixed assets	**—**	(126)
Net exchange gain	**(583)**	(102)

7. TAXATION

(a) Taxation in the consolidated income statement represents:

	The Group	
	2003	2002
	RMB'000	*RMB'000*
PRC enterprise income tax (see note (iii) below)	**7,707**	6,656
Less: PRC enterprise income tax refund (see note (iv) below)	**(3,899)**	—
	3,808	6,656
Share of associates' taxation	**66**	—
	3,874	6,656

7. TAXATION *(continued)*

(a) Taxation in the consolidated income statement represents *(continued)*

Notes:

(i) *Overseas income tax*

The Company is incorporated in the Cayman Islands and is exempt from taxation in the Cayman Islands until 2019. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted 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 derive any income subject to Hong Kong profits tax during both years.

(iii) *PRC enterprise income tax*

Fujian Fuqiang Delicate Circuit Plate Co., Ltd. ("Fujian Fuqiang"), a subsidiary, is a sino-foreign equity joint venture established in Fuqing, PRC, and is subject to PRC enterprise income tax at a preferential rate of 15% on its profit after offsetting prior year's tax losses. However, it is exempted from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year's tax losses, followed by a 50% reduction for the following three years. For the years ended 30th June, 2003 and 2002, Fujian Fuqiang was chargeable to PRC enterprise income tax at a rate of 7.5%.

(iv) On 12th June, 2001, the PRC Tax Bureau issued a tax assessment to Fujian Fuqiang for a total amount of PRC enterprise income tax payable of approximately RMB3,899,000 relating to the profit for the period from 1st January, 2000 to 31st December, 2000. However, according to the records of Fujian Fuqiang, such period should be exempted because Fujian Fuqiang was entitled to a tax-free period up to 31st December, 2000. Accordingly, the directors of Fujian Fuqiang objected to this assessment. However, for sake of prudence, the directors of Fujian Fuqiang paid and recorded the amount of approximately RMB3,899,000 as tax expense for the year ended 30th June, 2001. In November 2002, the PRC Tax Bureau agreed to the objection and the overpaid tax was refunded in June 2003.

(v) *PRC value-added tax*

Fujian Fuqiang is subject to PRC value-added tax ("VAT") at 17% of the revenue from sales of goods. Input VAT paid on purchase can be used to offset the output VAT levied on the revenue from sales of goods to determine the net VAT payable.

(vi) *Deferred taxation*

No provision for deferred taxation for both years has been made as the effect of all timing differences is immaterial.

7. TAXATION *(continued)*

(b) Taxation in the consolidated balance sheet represents:

	The Group	
	2003	2002
	RMB'000	*RMB'000*
PRC enterprise income tax payable		
At 1st July	**2,219**	2,288
Provision for PRC enterprise income tax for the current year	**7,707**	6,656
PRC enterprise income tax paid	**(8,915)**	(6,725)
At 30th June	**1,011**	2,219
Net VAT payable	**9,579**	—
Other tax payables	**512**	361
	11,102	2,580

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Fees	**—**	—
Salaries and other emoluments	**2,602**	1,745
Retirement scheme contributions	**95**	95
	2,697	1,840

8. DIRECTORS' REMUNERATION *(continued)*

No directors' fees was paid or is payable to the two (2002: two) independent non-executive directors during the year ended 30th June, 2003.

In addition, certain directors were granted options to subscribe for shares in the Company. The details of the share options granted and outstanding in respect of each director as at 30th June, 2003 are disclosed under the paragraph "Share Option Scheme" in the directors' report.

No directors waived any emoluments during the year. No incentive payments for joining the Group or compensation for loss of office was paid or is payable to any director for the years ended 30th June, 2003 and 2002.

The remuneration of the directors is within the following band:

	The Group	
	Number of directors 2003	Number of directors 2002
Nil – RMB1,060,000 (equivalent to approximately nil – HK$1,000,000)	**8**	6

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2002: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other one (2002: two) individual are as follows:

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Salaries and other emoluments	**276**	949
Retirement scheme contributions	**13**	34
	289	983

During the years ended 30th June, 2003 and 2002, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS *(continued)*

The emoluments of the one (2002: two) individual with the highest emoluments are within the following band:

	The Group	
	Number of individuals 2003	Number of individuals 2002
Nil – RMB1,060,000 (equivalent to approximately nil – HK$1,000,000)	**1**	2

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a loss of approximately RMB490,000 (2002: RMB5,937,000) which has been dealt with in the financial statements of the Company.

11. DIVIDENDS

(a) Dividends attributable to the year

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Final dividend proposed after the balance sheet date of HK$0.04 (equivalent to approximately RMB0.0424) per ordinary share (2002: HK$0.03 (equivalent to approximately RMB0.0318) per ordinary share)	**17,410**	12,803

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.03 (equivalent to approximately RMB0.0318) per ordinary share (2002: Nil)	**12,803**	—

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of approximately RMB73,357,000 (2002: RMB64,767,000) and on the weighted average of 402,625,000 (2002: 354,721,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 30th June, 2003 is based on the profit attributable to shareholders of RMB73,357,000 and the weighted average number of 402,716,859 ordinary shares after adjusting for the effects of all potential dilutive shares.

Diluted earnings per share for the year ended 30th June, 2002 was not presented as there was no dilutive potential ordinary shares in existence during the year ended 30th June, 2002.

(c) Reconciliations

	The Group	
	2003	2002
	Number of shares	Number of shares
	'000	*'000*
Weighted average number of ordinary shares used in calculating basic earnings per share	**402,625**	354,721
Deemed issue of ordinary shares for no consideration	**92**	—
Weighted average number of ordinary shares used in calculating diluted earnings per share	**402,717**	354,721

13. SEGMENT REPORTING

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 in making operating and financial decisions.

(a) Business segment

Throughout the years ended 30th June, 2003 and 2002, the Group has been involved in operating a single business segment, i.e. the manufacture and sales of printed circuit boards.

(b) Geographical Segment

In presenting information on the basis of geographical segments, segment revenue is based on the 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 (including Hong Kong), Australia, United States of America and Germany.

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Revenue from external customers		
— PRC, excluding Hong Kong	**201,909**	182,718
— Hong Kong	**5,750**	—
— Australia	**29,510**	17,443
— United States of America	**800**	676
— Germany	**3,449**	3,305
— Others	**125**	—
Total revenue from external customers	**241,543**	204,142
Other revenue		
— PRC, excluding Hong Kong	**490**	2,293
— Hong Kong	**124**	28
Total other revenue	**614**	2,321
Total operating revenue	**242,157**	206,463

13. SEGMENT REPORTING *(continued)*

(b) Geographical Segment *(continued)*

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Segment results		
— PRC, excluding Hong Kong	**93,405**	89,255
— Hong Kong	**2,770**	—
— Australia	**13,580**	8,521
— United States of America	**368**	330
— Germany	**1,587**	1,614
— Others	**58**	—
	111,768	99,720
Unallocated operating income and expenses	**(22,961)**	(16,893)
Profit from operations	**88,807**	82,827
Finance costs	**(2,567)**	(3,567)
Share of profits less losses of associates	**793**	—
Taxation	**(3,874)**	(6,656)
Minority interests	**(9,802)**	(7,837)
Profit attributable to shareholders	**73,357**	64,767
Depreciation		
— PRC, excluding Hong Kong	**7,541**	6,930
— Hong Kong	**332**	151
— Australia	**1,102**	662
— United States of America	**30**	26
— Germany	**129**	125
— Others	**5**	—
	9,139	7,894

More than 90% of the segment assets and capital expenditures are in the PRC, including Hong Kong, at 30th June, 2003 and 2002.

14. FIXED ASSETS

(a) The Group

	Land and buildings held for own use *RMB'000*	Machinery *RMB'000*	Furniture and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost or valuation:						
At 1st July, 2002	46,960	66,238	2,730	2,914	3,127	121,969
Additions	270	7,833	136	335	16,464	25,038
Transfers	—	874	—	—	(874)	—
Deficit on revaluation	(7,503)	—	—	—	—	(7,503)
At 30th June, 2003	39,727	74,945	2,866	3,249	18,717	139,504
Representing:						
At cost	270	74,945	2,866	3,249	18,717	100,047
At valuation by a qualified valuer — 2002	39,457	—	—	—	—	39,457
	39,727	74,945	2,866	3,249	18,717	139,504
Aggregate depreciation:						
At 1st July, 2002	5,841	19,524	1,308	1,959	—	28,632
Charge for the year	1,686	6,378	520	555	—	9,139
Written back on revaluation	(6,467)	—	—	—	—	(6,467)
At 30th June, 2003	1,060	25,902	1,828	2,514	—	31,304
Net book value:						
At 30th June, 2003	38,667	49,043	1,038	735	18,717	108,200
At 30th June, 2002	41,119	46,714	1,422	955	3,127	93,337

14. FIXED ASSETS *(continued)*

(b) The Company

	Furniture and equipment
	RMB'000
Cost	
At 1st July, 2002 and 30th June, 2003	125
Aggregate depreciation	
At 1st July, 2002	28
Charge for the year	25
At 30th June, 2003	53
Net book value	
At 30th June, 2003	72
At 30th June, 2002	97

(c) All land and buildings are located in the PRC and are held under land use right for 25 years up to 2025.

(d) The Group's land and buildings held for own use were revalued at 31st October, 2002 by Sallmanns (Far East) Ltd., an independent qualified valuers, at their open market value. The revaluation deficits of approximately RMB752,000 and RMB256,000 have been transferred to the consolidated income statement and property revaluation reserve respectively.

The carrying amounts of the land and buildings of the Group at 30th June, 2003 would have been approximately RMB39,116,000 (2002: RMB39,871,000) had they been carried at cost less accumulated depreciation.

15. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2003	2002
	RMB'000	*RMB'000*
Unlisted shares, at cost	**93,974**	93,974

The underlying value of the subsidiaries is, in the opinion of the Company's directors, not less than the carrying value as at 30th June, 2003.

Details of the subsidiaries as at 30th June, 2003 were as follows:

Name of company	Place of incorporation/ and/or operations	Particulars of issued and fully paid share capital/ registered capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by the subsidiary	Principal activities
Superford Holding Limited	British Virgin Islands/ 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	British Virgin Islands	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
Fujian Fuqiang Delicate Circuit Plate Co., Ltd.*	PRC	RMB46,000,000	90%	—	90%	Provision for electronic manufacturing services and manufacturing and trading of printed circuit boards

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

16. INTERESTS IN ASSOCIATES

	2003 *RMB'000*	2002 *RMB'000*
Share of net assets	5,758	—
Goodwill	41,969	—
	47,727	—

Details of the associates as at 30th June, 2003 were as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital/ registered capital	Percentage of ownership interest Group's effective interest	held by the Company	held by subsidiary	Principal activity
Floret Industries Limited	Incorporated	British Virgin Islands/ Hong Kong	US$100	49.00%	—	49.00%	Investment holding
福州威美電子有限公司	Sino-foreign equity joint venture	PRC	HK$6,000,000	49.00%	—	49.00%	Investment holding
福州天方科技有限公司	Sino-foreign equity joint venture	PRC	RMB3,000,000	40.67%	—	40.67%	Research, development, manufacture, sale of products and ancillary services in relation to the automation and intellectualisation of electric supply systems
Sail Information Science and Technology Co. Ltd. ("福州啟帆信息科技有限公司")	Sino-foreign equity joint venture	PRC	RMB1,000,000	42.75%	—	42.75%	Not yet commenced business

17. INVENTORIES

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Raw materials	**5,851**	6,141
Less: Provision for obsolete and slow-moving inventories	**(1,084)**	(1,084)
	4,767	5,057
Work-in-progress	**1,008**	415
Finished goods	**2,415**	1,934
	8,190	7,406

The carrying amount of raw materials were carried at net realisable value.

18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2003	2002	**2003**	2002
	RMB'000	*RMB,000*	***RMB'000***	*RMB'000*
Amounts due from subsidiaries	**—**	—	**91,071**	58,561
Amount due from a minority shareholder	**—**	1,325	**—**	—
Trade receivables	**94,669**	88,574	**—**	—
Advances to suppliers for purchase of raw materials	**19,365**	11,967	**—**	—
Rental and other deposits	**283**	264	**2**	5
Advances to employees	**717**	576	**—**	—
Other receivables	**—**	16,150	**—**	—
PRC input value-added tax recoverable	**—**	2,164	**—**	—
Others	**1,552**	682	**—**	—
	116,586	121,702	**91,073**	58,566

The amounts due from subsidiaries and a minority shareholder are unsecured, non-interest bearing and have no fixed terms of repayments.

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

18. TRADE AND OTHER RECEIVABLES *(continued)*

Included in trade and other receivables are trade receivables with the following ageing analysis:

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Current – within 3 months	**87,216**	65,715
Current – 3 to 6 months	**12,846**	26,661
More than 6 months but less than 12 months overdue	**1,356**	1,851
More than 12 months overdue	**2,392**	5,948
	103,810	100,175
Less: Provision for bad and doubtful debts	**(9,141)**	(11,601)
	94,669	88,574

Debts are usually due within 180 days from the date of billing. Debtors with balances that are more than 6 months overdue are requested to settle all outstanding balances before any further credit is granted.

19. PLEDGED BANK DEPOSIT

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Maturing after three months from placement	**5,350**	—

This bank deposit is pledged to a bank for a bank loan granted to the Group.

20. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2003	2002	**2003**	2002
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**14,577**	18,419	**—**	—
Bills payable	**1,050**	—	**—**	—
Other payables and accruals	**9,369**	7,801	**613**	576
Customers' deposits	**2,982**	—	**—**	—
Amount due to a director	**1,558**	331	**49**	50
Dividend payable to a minority shareholder	**1,451**	—	**—**	—
	30,987	26,551	**662**	626

Amount due to a director is unsecured, non-interest bearing and has no fixed terms of repayment.

All of the trade and other payables are expected to be settled within one year.

Included in trade and other payables are trade payables with the following ageing analysis:

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Due within 3 months	**11,166**	6,929
Due after 3 months but within 6 months	**1,004**	2,537
Due after 6 months but within 12 months	**836**	3,891
Due after 12 months	**1,571**	5,062
	14,577	18,419

21. SHORT-TERM BANK LOANS

At 30th June, 2003, the short-term bank loans of the Group were secured as follows:

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Bank loan secured by bank deposit *(note (i))*	**4,800**	—
Unsecured bank loans *(note (ii))*	**37,000**	33,000
	41,800	33,000

Notes:

(i) Bank deposit of RMB5,350,000 (2002: Nil) was pledged to a bank for a bank loan of RMB4,800,000 (2002: Nil) granted to the Group.

(ii) The corporate guarantee is issued by the Company in respect of bank loans of RMB37,000,000 (2002: RMB33,000,000) granted to a PRC subsidiary.

22. SHARE CAPITAL

	The Group and the Company			
	2003		2002	
	Number of shares	**Amount**	Number of shares	Amount
	'000	***RMB'000***	*'000*	*RMB,000*
Authorised — Ordinary shares of HK$0.10 (equivalent to approximately RMB0.106) each	**1,000,000**	**106,000**	1,000,000	106,000
Issued and fully paid — Ordinary shares of HK$0.10 (equivalent to approximately RMB0.106) each	**402,625**	**42,678**	402,625	42,678

Subsequent to the balance sheet date, options were exercised to subscribe for 8,000,000 ordinary shares in the Company at a consideration of HK$7,960,000 (equivalent to approximately RMB8,437,600), of which HK$800,000 (equivalent to approximately RMB848,000) was credited to share capital and the balance of HK$7,160,000 (equivalent to approximately RMB7,589,600) was credited to the share premium.

23. RESERVES

(a) The Group

	Share premium RMB'000	Contributed surplus (note (i)) RMB'000	Capital reserve (note (ii)) RMB'000	Property revaluation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1st July, 2001	15,280	—	46,115	256	63,619	125,270
Premium on issue of shares upon share placements	65,455	—	—	—	—	65,455
Share issuance expenses	(4,281)	—	—	—	—	(4,281)
Profit for the year	—	—	—	—	64,767	64,767
At 30th June, 2002 and 1st July, 2002	76,454	—	46,115	256	128,386	251,211
Dividend approved in respect of the previous year *(note 11(b))*	—	—	—	—	(12,803)	(12,803)
Profit for the year	—	—	—	—	73,357	73,357
Deficit on revaluation of land and buildings	—	—	—	(256)	—	(256)
At 30th June, 2003	76,454	—	46,115	—	188,940	311,509

(b) The Company

	Share premium RMB'000	Contributed surplus (note (i)) RMB'000	Capital reserve (note (ii)) RMB'000	Property revaluation reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1st July, 2002	15,280	93,867	—	—	(3,800)	105,347
Premium on issue of shares upon share placements	65,455	—	—	—	—	65,455
Share issuance expenses	(4,281)	—	—	—	—	(4,281)
Loss for the year	—	—	—	—	(5,937)	(5,937)
At 30th June, 2002 and 1st July, 2002	76,454	93,867	—	—	(9,737)	160,584
Dividend approved in respect of the previous year *(note 11(b))*	—	(12,803)	—	—	—	(12,803)
Loss for the year	—	—	—	—	(490)	(490)
At 30th June, 2003	76,454	81,064	—	—	(10,227)	147,291

23. RESERVES *(continued)*

Notes:

(i) 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.

(ii) The capital reserve of the Group represents (i) capital reserve of a subsidiary and (ii) 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.

(iii) As stipulated by rules and regulations in the PRC, Fujian Fuqiang Delicate Circuit Plate Co., Ltd. ("Fujian Fuqiang"), a sino-foreign equity joint venture established in the PRC, is required to appropriate part of its after-tax profit (after offsetting prior years' losses) to a general reserve fund and enterprise expansion reserve fund at rates as determined by the board of directors. During the year ended 30th June, 2003, the board of directors of Fujian Fuqiang determined not to make any appropriation to the general reserve fund and enterprise expansion fund (2002: nil).

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, 2003, the Company's reserves available for distribution to shareholders amounted to approximately RMB147,291,000 (2002: RMB160,584,000) computing in accordance with the Companies Law (Revised) of the Cayman Islands and the Company's articles of association. This includes the Company's share premium and contributed surplus of approximately RMB76,454,000 (2002: RMB76,454,000) and RMB81,064,000 (2002: RMB93,867,000), respectively, less accumulated losses of approximately RMB10,227,000 (2002: RMB9,737,000), which is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

24. 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 an independent approved trustee. 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.

24. EMPLOYEE RETIREMENT BENEFITS *(continued)*

PRC, other than Hong Kong

The PRC subsidiary 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 the income statement 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 outsides Hong Kong and PRC. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 30th June, 2003 in respect of the retirement of its employees.

25. EQUITY COMPENSATION BENEFITS

The Company adopted an employee share option scheme on 8th May, 2001 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The exercise price of options was determined by the board of directors of the Company and was less than the highest of (i) the nominal value of the Company's shares, (ii) the average of the closing price of the shares quoted on the GEM of the Stock Exchange for the five business days immediately preceding the date of grant and (iii) the closing price of the shares on the GEM of the Stock Exchange on the date of grant. No options had been granted since the commencement of this share option scheme.

On 9th January, 2003, the Company terminated the above scheme and adopted a new share option scheme for a period of 10 years commencing from that date. Under the terms of this scheme, the exercise price of options will be determined by the board of directors of the Company and will be highest of (i) the nominal value of the Company's shares, (ii) the closing price of the shares on the Main Board of the Stock Exchange on the date of grant and (iii) the average closing price of the shares on the Main Board of the Stock Exchange for the five business days immediately preceding the date of grant. Each option gives the holder the right to subscribe for one share.

25. EQUITY COMPENSATION BENEFITS *(continued)*

(a) Movements in share options

	Number of options 2003 '000	2002 '000
At 1st July	—	—
Issued	15,000	—
At 30th June	15,000	—
Options vested at 30th June	15,000	—

(b) Terms of unexpired and unexercised share options at balance sheet date

Date of granted	Exercise period	Exercise price HK$	Number of options 2003 '000	2002 '000
2nd May, 2003	2nd May, 2003 to 2nd May, 2004	0.99	4,000	—
21st May, 2003	21st May, 2003 to 21st May, 2004	0.96	4,000	—
26th May, 2003	26th May, 2003 to 26th May, 2004	1.00	4,000	—
26th May, 2003	26th May, 2003 to 26th May, 2004	1.00	3,000	—
			15,000	—

(c) Details of share options granted during the year, all of which were granted for a consideration of HK$1 per grant

Exercise period	Exercise price HK$	Number of options 2003 '000	2002 '000
2nd May, 2003 to 2nd May, 2004	0.99	4,000	—
21st May, 2003 to 21st May, 2004	0.96	4,000	—
26th May, 2003 to 26th May, 2004	1.00	4,000	—
26th May, 2003 to 26th May, 2004	1.00	3,000	—
		15,000	—

26. COMMITMENTS

(a) Capital commitments outstanding at 30th June, 2003 not provided for in the financial statements were as follows:

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Contracted for		
— acquisition of fixed assets	**5,756**	5,890

(b) At 30th June, 2003, the total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are payable as follows:

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Within 1 year	**652**	1,388
After 1 year but within 5 years	**150**	524
	802	1,912

27. CONTINGENT LIABILITIES

As at 30th June, 2003, there were contingent liabilities in respect of bank loans utilised by a PRC subsidiary and guaranteed by the Company amounting to RMB37,000,000 (2002: RMB33,000,000).

28. MATERIAL RELATED PARTY TRANSACTIONS

During the year, particulars of significant transactions between the Group and related parties were as follows:

	The Group	
	2003	2002
	RMB'000	*RMB'000*
Transportation fee charged by Fujian Furi Container Freight Transport Company *(note (i))*	**1,557**	1,036
Lease rental charged by He Yu Zhu *(note (ii))*	**422**	422

28. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

Notes:

(i) This company is owned by Fujian Furi Group Company, the holding company of Fujian Furi Electronics Co., Ltd., a minority shareholder of the PRC subsidiary.

As at 30th June, 2003, the Group had an amount due to Fujian Furi Container Freight Transport Company of approximately RMB973,000 (2002: RMB895,000), arising from transportation fee charged by this related company included in trade payables. Such amount is unsecured, non-interest bearing and without pre-determined repayment terms.

(ii) During the year, the Group entered into 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 property in Fuzhou, the PRC.

29. POST BALANCE SHEET EVENTS

After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 11.