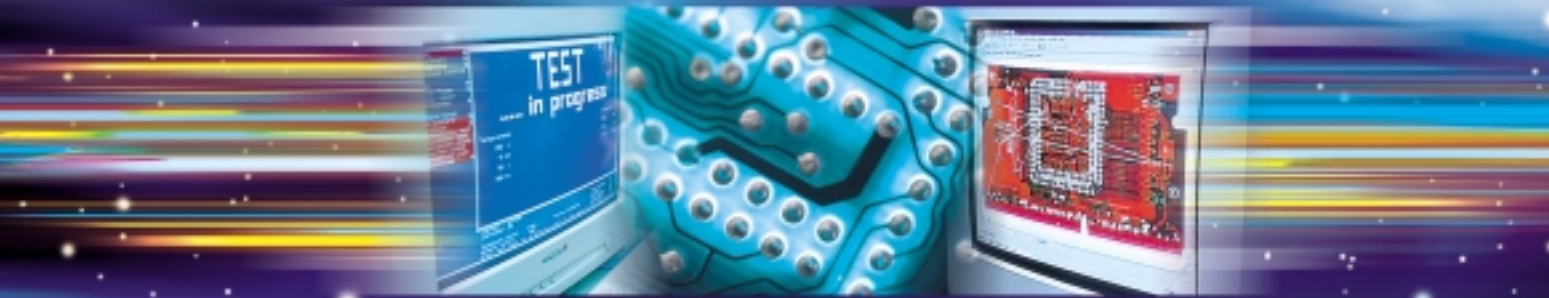




SINOTRONICS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)



ANNUAL REPORT 2001

Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the GEM Website. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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CORPORATE INFORMATION

DIRECTORS

Lin Wan Qaing (*Chairman*)
Xiang Song
Lin Wan Peng
Liu Zhao Cai *
Lam Ming Yung *
Pan Chang Chi *

** Independent non-executive Directors*

COMPANY SECRETARY

Tong Yiu On, *AHKSA, ACCA*

COMPLIANCE OFFICER

Lin Wan Qaing

QUALIFIED ACCOUNTANT

Tong Yiu On, *AHKSA, ACCA*

AUTHORISED REPRESENTATIVES

Lin Wan Qaing
Tong Yiu On, *AHKSA, ACCA*

AUDIT COMMITTEE

Liu Zhao Cai
Lam Ming Yung
Pan Chang Chi

SPONSOR

Deloitte & Touche Corporate Finance Limited

CO-SPONSOR

JS Cresvale International Limited

LEGAL ADVISERS

As to PRC Law:
Fujian Jun Li Law Firm

As to Cayman Islands Law:
Conyers Dill & Pearman, Cayman

PRINCIPAL BANKERS

The Agricultural Bank of China
The China Construction Bank
Bank of China
Chiyu Banking Corporation Limited

AUDITORS

Arthur Andersen & Co
Charles Chan, Ip & Fung CPA Ltd.

REGISTERED OFFICE

Zephyr House
P.O. Box 2681
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2807, 28th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
2nd Floor, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

WEBSITE

www.sinotronics.com.cn

FINANCIAL HIGHLIGHTS

Successfully listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 17th May, 2001.

Turnover for the year was approximately RMB189,128,000.

Net profit for the year was approximately RMB56,830,000, representing a slight premium over the RMB55 million forecasted in the prospectus of the Company dated 11th May, 2001.

Net profit margin growth for the year was approximately 1.86 times, an increase to approximately 30.05% from approximately 10.52% as of last year.

A triple-digit profit after taxation but before minority interests growth of approximately 263%.

Shareholders' funds reached approximately RMB162,118,000.

CHAIRMAN'S STATEMENT

1. TO SHAREHOLDERS

The Year 2000-2001 was a year of rapid development for Sinotronics Holdings Limited (the "Company" and, together with its subsidiaries, the "Group"). The Group recorded turnover of approximately RMB189,128,000, representing an increase of approximately 118% over that of the previous year. Profit after taxation but before minority interests for the year increased by over 2.6 times from approximately RMB17,488,000 for the previous financial year to approximately RMB63,567,000. Net profit of the Group was approximately RMB56,830,000, representing a slight premium over the RMB55 million forecasted in the prospectus of the Company dated 11th May, 2001, while earnings per share increased by approximately 567% to approximately RMB0.2. Such satisfactory results were attributable to our efforts in establishing a comprehensive business model for electronic manufacturing services ("EMS") which continued to add value to the manufacturing business of the Group.

The Year 2000-2001 was also a difficult year for the global electronics market. The decline in the Internet industry adversely affected the development of the electronic technology sector and numerous multinational electronics companies suffered from a downturn in results. In view of such adverse environment, the Group modified its competitive strategy by switching its focus towards the PRC market which is believed to have enormous potential. Through the provision of high profit margin, high value-added design services for the fabrication and assembly of high-mix, multilayer printed circuited boards ("PCBs"), the Group was able to attain continuous and rapid growth in both revenues and profits. On 17th May, 2001, the Group successfully listed its shares on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited through an initial public offering. The successful listing of the Company has strengthened the financial position of the Group, thereby facilitating a strong support for its future development.

2. BUSINESS REVIEW

Active expansion of engineering support and service capacity

Through the continuous improvement of its EMS business model, the active expansion on design service capacity and manufacturing technologies and the provision of more high value-added services for its customers, the Group successfully differentiated itself from other traditional processing and manufacturing contractors and achieved strong profitability.

Engineering support and design are essential in EMS. The Group actively participated in its customers' product design process commencing as early as the research and development stage to complement customers' designs with its own experience and technologies in manufacturing. In doing so, the lead time for new products introduction is shortened, and customers are able to gain a competitive edge in the market.

CHAIRMAN'S STATEMENT continued

During the year, the Group expended increasing efforts to enhance its engineering support and service capacity. Recognising that human resources is the fundamental element of engineering support services, the Group actively expanded its engineering team and recruited five experienced engineers during the year to work in its engineering design department and the Group's offices in Shanghai, Shenzhen, Chengdu, etc.. As a result, the Group significantly strengthened its ability in providing quick-turn services required by its customers. Moreover, the Group has established an engineering design service centre in Fuzhou, the PRC principally engaged in the provision of solutions support for system and other sophisticated engineering design projects. Two senior engineers and three engineers were engaged to provide technical assistance to other branch establishments of the Group. Through the establishment of this engineering centre, the Group successfully expanded its engineering design service coverage to areas including system and schematic designs.

Such enhancements in the engineering support service capacity enabled the Group to strengthen its earnings capability and its competitive edge.

Expansion of production capacity and upgrading fabrication technologies

Through stringent production operation management, quality control, statistical process management coupled with advanced production facilities, the Group succeeded in maximizing its production efficiency, thereby realising the Group's high mix, quick-turn production strategy. This is another essential factor contributing to the success of the Group.

During the year, the Group focused on the fabrication of the higher profit margin multilayer PCBs. Additional production facilities were acquired, and its capacity and technological know-how were upgraded to facilitate such focus. Equipment like Germany made multilayer PCB press machines and numeric control drills were introduced to increase the Group's PCB fabrication capacity to 12,000 square metres per month. The technological know-how in fabricating multilayer PCBs of high layer counts and high complexity was secured, while MLV testing facilities imported from Germany served to enhance the technical ability of the Group in fabricating PCBs of high layer counts (more than 10 layers). The introduction of such advanced equipment contributed to the enhancement on the product mix of the Group.

CHAIRMAN'S STATEMENT continued

Continuous research and development of new technologies and enhancement of management standard

Technological innovation is the source for the survival and development of any business. Accordingly, the Group formulated sets of development plans based on feedbacks from its customers and its in-depth knowledge and assessment of future market trends. Various development plans for new technologies were prepared by the Group's chief engineer, including the precise integration technology of multilayer PCBs for the automobile electronics industry and the manufacturing of Teflon boards for broadband digital transmission, which laid a solid foundation for the future development of the Group.

While emphasising the innovation of production technologies, the Group also adopted various new management skills specifically for the Company. Among those are the upgraded management and software systems that were developed based on the Group's original ERP management system and in accordance with the ISO 9001 (2000 version) system and the CRM (customer relationship management) concept. These upgraded systems served to significantly enhance the operational efficiency of the Group.

As an EMS provider, the Group has been expanding the scope and composition of its services for its customers. To facilitate the provision of procurement services to its customers, the Group has set up a trading company in Hong Kong for purchases conducted on a cross-border basis.

3. BUSINESS PROSPECTS

The opening up of the PRC has boosted its economic development, especially in the electronics information industry. The industry has become the key industry of the state and has achieved surprising expansion. At present, numerous opportunities are available to the domestic electronics industry as the PRC is actively promoting information reform projects for traditional industries in order to remain competitive upon its entry into the World Trade Organisation (the "WTO"). Leveraging on this advantage, the Group achieved rapid corporate developments in the following aspects:

CHAIRMAN'S STATEMENT continued

Speed up the establishment of the sales network

The Group's business has been expanding rapidly. During the previous year, the Group established temporary offices in Wuhan, the Central PRC, and Xi'an, the Western PRC, to promote its service brandname and attained satisfactory progress. The Company anticipates that these two areas would generate higher returns for the Group in the coming financial year. With the PRC's prospective entry into the WTO, the existing sales network of the Group in the PRC is expected to help the Group to attain a leading market position in the EMS industry.

Expanding and promoting the capability and scope of the engineering support services of the Group

The engineering design services contributed to the high returns of the Group in the past two years. In particular, the setting up of the engineering design centre last year enabled the Group to provide all round services in relation to series of ancillary functions such as system, schematic and layout designs in the electronic design process, paving the way for the Group to make efficient returns in the forthcoming stages.

Becoming an "one-stop shop" through continuous improvement of all its services

In addition to engineering design and production services, the Group also aims to provide customers with extensive services such as procurement, mounting and testing by way of co-operation and alliance, making the Group an "one-stop shop" for its customers.

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL RESULTS

The actual progress of the Group's business objectives for the period ended 30th June, 2001, as set out in the prospectus of the Company dated 11th May, 2001, (the "Prospectus"), is as follows:

Business objectives for the period ended 30th June, 2001 disclosed in the Prospectus	Actual business progress for the period ended 30th June, 2001
---	--

Engineering outsourcing

- | | |
|--|---|
| — Expand PCB layout design services to some key domestic customers of the Group. | — Having expanded the engineering design services to some of the key domestic customers of the Group, including Start Network, Newland and Amoisonic. |
| — Provide increasing level of "design-for-manufacturability" services during the early stages of the production cycle through the Group's engineering outsourcing services division to develop process changes and refinements required for volume production. | — Having provided increased level of "design-for-manufacturability" services during the early stages of the production cycle through the Group's engineering outsourcing services division to most of the customers of the Group to develop process changes and refinements required for volume production. |
| — Start to implement ISO 9001 quality standard. | — Having started the implementation of ISO 9001 quality standard and is in the stage of preparing ISO 9001 (2000 version) quality systems documents. |
| — Secure at least one strategic partnership capable of bringing in EMS orders based on the Group's then existing ODM/CEM customers through active marketing. | — Having secured strategic partnership with Amoisonic, a famous ODM in the telecommunication sector in the PRC, and brought in orders. |

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL RESULTS continued

PCBs and PCB assembly

- | | |
|---|--|
| <ul style="list-style-type: none"> — Shorten the delivery time for its PCB quick-turn services from an average of 72 hours to 36 hours. | <ul style="list-style-type: none"> — Having shortened the cycle to 36 hours. |
| <ul style="list-style-type: none"> — Start and complete the first phase of the expansion plan to increase PCB production capacity for single-sided, double-sided and multilayer PCBs from approximately 3,300 square metres per month to approximately 12,000 square metres per month by purchasing additional NC drills, multilayer press machines and testing equipment. | <ul style="list-style-type: none"> — Having purchased equipment such as Germany made NC drills and multilayer press machines and increased the production capacity for single-sided, double-sided and multilayer PCBs to 12,000 square metres per month. |
| <ul style="list-style-type: none"> — Start the second phase of the expansion plan to increase PCB fabrication capacity for single-sided, double-sided and multilayer PCBs by 50%. | <ul style="list-style-type: none"> — Having commenced the second phase of the expansion plan and is in the process of selecting suitable machineries and equipment to support the targeted increase in PCB fabrication capacity. |
| <ul style="list-style-type: none"> — Continue the implementation of the statistical process control system, a system which involves monitoring, controlling and improving a manufacturing process through statistical analysis. | <ul style="list-style-type: none"> — Having completed the implementation. |
| <ul style="list-style-type: none"> — Purchase the SMT assembly line and equipment for “thru-hole” assembly line. | <ul style="list-style-type: none"> — In the process of considering other alternatives including strategic co-operations with and mergers and acquisitions of other factories with SMT assembly capacity with an aim to achieve more efficient utilisation of resources. |

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL RESULTS continued

- Increase the average layer counts for PCBs produced by the Group to four layers from two layers for the five months ended 30th November, 2000, and increase the percentage contribution to total PCB fabrication revenue by the six layer PCBs from 4% for the five months ended 30th November, 2000 to 15%; and, depending on customers' demand, expand the proportion of sales generated from 10 to 12 layer PCBs.
- For the year ended 30th June, 2001, percentage contribution to the total PCB fabrication revenue by the six layer PCBs maintained at 15%, while proportion of sales generated from 10 to 12 layer PCBs remained unchanged as there was no significant increase on customers' demand.
- Establish the capacity to fabricate PCBs up to 30 layers.
- Having achieved the capacity to fabricate PCBs up to 30 layers, and having purchased MLV examination equipment which can significantly improve the passing rate of 30 layer PCBs.
- Start to implement QS 9000 quality standard, which is a standard approved by the International Standards Organization for different businesses with different areas of coverage.
- Having started the implementation of QS 9000 quality standard and is in the stage of preparing QS 9000 programme documents.

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL RESULTS continued

Sales and marketing

- Strengthen the Group's brandname "Fuqiang (·I-j)" into a highly regarded and widely recognised brandname in the electronic interconnect product market by offering "one-stop" EMS solutions to customers and adding reputable international ODMs to its EMS client list.
- Having expanded its "one-stop" EMS service coverage and continue to offer its "one-stop" EMS solutions to its customers. Business contact with «C fiq·f·¶(Tsingdao HP) is underway and expects to add the company to the Group's customer list by the end of this year or early next year.
- Increase the percentage of sales to the communications sector, which the Directors consider would have a higher-than-average growth and a higher profit margin, from approximately 35% to 50%.
- Maintaining the percentage of sales to the communications sector at approximately 35%.
- Explore business opportunities in other high growth segments in the PRC, such as medical equipment and instrumentation.
- Having attempted to explore business opportunities in the PRC medical equipment and instrumentation industries but were of the opinion that these markets were relatively less developed. Having re-focused its market strategies to the high-growth telecommunication segment in the PRC and would re-explore business opportunities in the medical equipment and instrumentation industries after the entry of the PRC into the WTO.

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL RESULTS continued

Business and human resources developments

- | | |
|--|---|
| <ul style="list-style-type: none"> — Establish EMS strategic partnership with at least one ODM during this period. Negotiations with ODMs in the telecommunication sector have already been taking place. | <ul style="list-style-type: none"> — Having established partnership with Amoisonic, a famous ODM in the telecommunication sector in the PRC. |
| <ul style="list-style-type: none"> — Recruit approximately two additional engineers for its engineering outsourcing division during this period. | <ul style="list-style-type: none"> — Having recruited five additional engineers. |
| <ul style="list-style-type: none"> — Complete the implementation of a computerised ERP system for the integration of material management, engineering production and control. | <ul style="list-style-type: none"> — Having completed the implementation of the computerised ERP system and integrated the material management, engineering production and control. |
| <ul style="list-style-type: none"> — Approach US and European semiconductor makers and offer PCB design solutions for the application of their IC products. | <ul style="list-style-type: none"> — Having postponed its business developments in the US and Europe and maintain its focus in the PRC market in view of the decline in the world semiconductor industry. |
| <ul style="list-style-type: none"> — Establish a joint engineering design centre together with Electronic Research Institute. | <ul style="list-style-type: none"> — Having established an engineering design centre and recruited two additional senior engineers and three additional engineers to provide customers with engineering design services such as system design and sub-system design. |

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL RESULTS continued

- Since universities in the PRC usually have experts who are technically competent and are willing to focus their resources in research and development, the Group plans to enter into formal arrangements with one national university in the PRC to establish joint laboratory for the design of system solutions and other advanced technologies. In this respect, negotiations between the Group and Qinghua University in Beijing, the PRC have already been taking place.
- Continuing to engage in negotiations.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Lin Wan Qiang (林萬強), aged 46, is the chairman of the Company and founder of the Group. He is responsible for the Group's overall strategic planning, and is also the compliance officer of the Group. Prior to founding the Group in March 1996, Mr. Lin gained more than 16 years of entrepreneurial and management experience. In addition, Mr. Lin was appointed the executive of the standing committee of Young Entrepreneur Association of Fujian Province# (福建省青年企業家協會) in May 1999. He has been elected the vice-president of Electronics Industry Branch of Fujian Province of China International Commerce Association# (中國國際商會福建電子行商會) since November 1997.

Mr. Xiang Song (項松), aged 30, is the managing director of the Company. Mr. Xiang graduated with a bachelor's degree in mechanical engineering from University of Science and Technology of Beijing (北京科技大學) in 1993. Prior to joining the Group in July 1998, Mr. Xiang gained substantial management experience when he served as the plant general manager and engineer of Guangzhou Printronics Circuit Corp. (廣州普林電路公司), one of the earliest PCB sino-foreign joint venture PCB companies in the PRC. He has more than 7 years of management experience in the PCB industry.

Mr. Lin Wan Peng (林萬鵬), aged 38, is an executive director of the Company. He is primarily responsible for overseeing the financial management of the Group. He graduated with a bachelor's degree in industrial accounting from Xiamen University (廈門大學) and is a certified public accountant in the PRC. He gained extensive financial experience while working as the financial controller of the Fujian Province Equipment Procurement and Distribution Corporation# (福建省機械供銷總公司) under Fujian Province Bureau of Machinery# (福建省機械廳), Fujian Tourist Bureau# (福建省旅遊局) and Fujian Shen Long Group# (福建省神龍集團).

Independent non-executive Directors

Mr. Liu Zhao Cai (劉兆才), aged 58, graduated from Northwestern Telecommunication Engineering Institute# (西北電訊工程學院) (now known as School of Electronic Engineering (西安電子科技大學)). He has extensive technical experience and has worked as a senior engineer in the 36th research institute of the Department of Electronics Industry# (電子工業部) of the PRC. He was the president of Fujian Province Science and Technology Commission# (福建省科學技術委員會) in 1998, and the president of the 36th research institute of the Research Institute of the Department of Electronics Industry# (電子工業部) of the PRC in 1987 for a term of three years. Mr. Liu became an independent non-executive Director on 8th May, 2001.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT continued

Mr. Lam Ming Yung (林明勇), aged 37, graduated with a bachelor's degree in law from East China University of Politics and Law (華東政法學院) and practiced as a lawyer in the Fujian Province of China from August 1986 to July 1993. He was registered as a foreign lawyer under the Law Society of Hong Kong in 1995 and is now practising as a senior legal consultant of PRC corporate securities law in the Hong Kong office of Sidley Austin Brown & Wood, an international law firm. He became an independent non-executive Director on 8th May, 2001.

Mr. Pan Chang Chi (潘昌馳), aged 49, is a senior economist. He graduated from Xiamen University (廈門大學) in 1998 with a master's degree in law. He has extensive experience in financial management while working as a senior economist in the Fuqing branch of the Bank of China. He is currently employed by Fujian International Corporation Limited# (福建省國際投資有限公司), and became an independent non-executive Director on 8th May, 2001.

SENIOR MANAGEMENT

Mr. Edgar Xiong (熊克明), aged 40, is an executive vice-president of Fuqiang and is responsible for overseeing the development of the Group's EMS business. He obtained a bachelor's degree in electronic engineering from Southeast University (東南大學) in the PRC in 1983 and obtained a master's degree in electrical engineering from Missouri University in the United States in 1989. Before joining the Group in May 2000, Mr. Xiong had gained many years of experience in system development and evaluation mainly in the communications and communications related consumer product segments while working in a number of international technology companies including Zilog, Inc., Samsung Semiconductor, Inc. and NEC Electronics Inc. in the US. He was seconded to China by LSI Logic International Services Inc. as the country-marketing manager in charge of PRC market development in 1999.

Mr. Lin Wan Xin (林萬新), aged 46, is an executive vice-president of Fuqiang and a cousin of Mr. Lin. He graduated from Fujian Teachers University (福建師範大學) and has gained extensive administration experience as the production director, administration director and vice-president of the general administration department of Fujian Teachers University (福建師範大學). He joined the Group in March 1998 and was one of the founding members.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT continued

Mr. Wang Song Qing (汪嵩慶), aged 56, is the chief engineer of Fuqiang overseeing technology development of the Group. He graduated from the Department of Electronics of Tianjin University (天津大學) in 1967. Prior to joining the Group in June 1998, Mr. Wang was the technical officer of the 893th institute under the Department of Electronics Industry[#] (電子工業部) of China and was engaged in the research of micro transistor thin film circuit (微形體管薄膜電路). He was a senior engineer for the headquarters of the 5308th Factory of Department of Weaponry Industry[#] (兵器工業部). In 1983, Mr. Wang was the technical supervisor and was responsible for overseeing the newly imported technology of circuit board assembly line.

Mr. Cai Hua (蔡華), aged 30, is an executive vice-president of marketing of Fuqiang. Prior to joining the Group in May 1998, Mr. Cai was an assistant to the general manager of the sales branch of Guangzhou Printronics Circuit Corp. (廣州普林電路公司). He has gained 8 years of experience in the sales and marketing of PCBs. Mr. Cai also has extensive experience in marketing, strategic planning and development of international sales networks.

Mr. Tong Yiu On (唐耀安), aged 35, is the company secretary and chief financial officer of the Company. He is responsible for the financial reporting and management and regulatory compliance of the Company. He is an associate member of the Association of Chartered Certified Accountants (ACCA) and the Hong Kong Society of Accountants (HKSA). Prior to joining the Group in September 2000, Mr. Tong was the financial controller of a wholly owned subsidiary of Sun East Technology (Holdings) Ltd., a Hong Kong listed company, and has gained 9 years of experience from an international accounting firm and a wholly owned subsidiary of a company listed on the Australia stock exchange in auditing and financial management for various industries.

Mr. Hu Zhao Rui (胡兆瑞), aged 42, is the financial manager of Fuqiang. He graduated from Fuzhou Technical Institute[#] (福州工業學校), majoring in finance and is a certified public accountant in the PRC. Prior to joining the Group in June 1998, he had around 15 years' experience in accounting and financial management through working as the financial manager of several companies including Fujian Minjiang Shipping Company[#] (福建省閩江航運總公司), Fujian Fuqing Rangqiao Wharf Co. Ltd. (福建福清融僑碼頭港務有限公司), Fujiang Mingjiang Wu Yi Cement Transportation Company Limited[#] (福建閩江武夷散裝水泥聯運公司) and Fujiang Hong Feng Investment & Development Company Limited[#] (福建鴻豐投資發展有限公司).

[#] denotes the English translation of the name of the enterprise/governmental department/institution which is for identification purposes only

DIRECTORS' REPORT

(Amounts expressed in Chinese Renminbi)

The directors of the Company (“the Directors”) are pleased to present their annual report together with the audited financial statements of Sinotronics Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) for the year ended 30th June, 2001.

GROUP REORGANISATION AND BASIS OF PRESENTATION

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. Pursuant to a reorganisation scheme of the Group in preparation for the listing of the Company’s shares on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM”), the Company became the holding company of the Group on 8th May, 2001. The Company’s shares were listed on the GEM on 17th May, 2001.

Details of the group reorganisation scheme and the basis of presentation of the financial statements are set out in Note 1 to the accompanying financial statements.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of electronic manufacturing services and the manufacturing and trading of printed circuit boards.

The Group’s turnover by principal product category, together with their respective contributions to profit from operations, and by geographical location for the year ended 30th June, 2001 is analysed as follows:

	Turnover <i>RMB’000</i>	Contributions to profit from operations <i>RMB’000</i>
a. By principal product category –		
Single and double-sided printed circuit boards	84,264	25,840
Multilayer printed circuit boards	104,864	49,943
	<hr/>	<hr/>
	189,128	75,783
	<hr/> <hr/>	<hr/> <hr/>

DIRECTORS' REPORT continued*(Amounts expressed in Chinese Renminbi)*

	Turnover <i>RMB'000</i>
b. By geographical location* –	
Mainland China	153,492
Australia	29,068
United States of America	3,024
Germany	3,351
Others	193
	<hr/>
	189,128
	<hr/> <hr/>

* Turnover by geographical location is determined mainly on the basis of the destination of shipments/delivery of merchandise.

No analysis of profit attributable to shareholders by geographical location is presented as it was generally in line with the distribution of turnover set out above.

CUSTOMERS AND SUPPLIERS

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

Sales

– the largest customer	15%
– five largest customers combined	60%

Purchases

– the largest supplier	35%
– five largest suppliers combined	61%

As far as the Directors are aware, none of the Directors, their associates, or any shareholders (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had a beneficial interest in any of the five largest customers and suppliers of the Group.

DIRECTORS' REPORT continued

(Amounts expressed in Chinese Renminbi)

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 30th June, 2001 are set out in the consolidated income statement on page 28 of this annual report.

The Directors do not recommend the payment of a dividend and recommend that the retained profit of approximately RMB63,619,000 as at 30th June, 2001 be carried forward.

SHARE CAPITAL AND SHARE OPTIONS

Details of the share capital and share options of the Company are set out in Notes 19 and 20 to the accompanying financial statements.

DISTRIBUTABLE RESERVES

Movements in reserves of the Group and the Company during the year are set out in Note 21 to the accompanying financial statements.

As at 30th June, 2001, the Company's reserve available for distribution to shareholders amounted to approximately RMB105,347,000 computed 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 RMB15,280,000 and RMB93,867,000 respectively, less accumulated deficit of approximately RMB3,800,000 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the Companies Law (Revised) of the Cayman Islands.

DIRECTORS' REPORT continued

(Amounts expressed in Chinese Renminbi)

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 12 to the accompanying financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in Note 11 to the accompanying financial statements.

BANKING FACILITIES

Particulars of banking facilities as at 30th June, 2001 are set out in Note 25 to the accompanying financial statements.

COMMITMENTS

Particulars of commitments and contingent liabilities as at 30th June, 2001 are set out in Note 23 to the accompanying financial statements.

PENSION SCHEMES

Details of the Group's pension schemes are set out in Note 24 to the accompanying financial statements.

CONNECTED TRANSACTIONS

After the group reorganisation and upon the listing of the Company's shares on GEM, the lease agreement between Fujian Fuqiang Delicate Circuit Plate Co., Ltd., a subsidiary, and Ms. He Yu Zhu, a director of a subsidiary and the spouse of Mr. Lin Wan Qaing, a Director, in respect of the Group's occupation of an office premise in Fuzhou, Mainland China, will constitute continuing connected transaction for the Company (defined under the Rules Governing the Listing of Securities on GEM ("the GEM Listing Rules")). The Directors consider such transaction constitutes exempt continuing connected transaction under Rules 20.25(3) of the GEM Listing Rules. Details of the connected transaction are set out in Note 3 to the accompanying financial statements.

DIRECTORS' REPORT continued*(Amounts expressed in Chinese Renminbi)***DIRECTORS AND DIRECTORS' SERVICE CONTRACTS**

The Directors who held office during the year and up to the date of this report are:

Executive Directors

Mr. Lin Wan Qaing	(Appointed on 29th September, 2000)
Mr. Lin Wan Peng	(Appointed on 29th September, 2000)
Mr. Xiang Song	(Appointed on 29th September, 2000)

Independent non-executive Directors

Mr. Lam Ming Yung	(Appointed on 8th May, 2001)
Mr. Liu Zhao Cai	(Appointed on 8th May, 2001)
Mr. Pan Chang Chi	(Appointed on 8th May, 2001)

In accordance with Article 87 of the Company's articles of association, Mr. Xiang Song will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, will offer himself for re-election.

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years, with a fixed term of one year, commencing on 8th May, 2001. The service contracts shall continue thereafter until terminated by either party giving the other not less than three months' notice after the expiration of the said initial fixed term.

Each of the independent non-executive Directors has entered into an appointment letter with the company for a term of one year commencing on 8th May, 2001 provided that either party may terminate the engagement by giving at least six month's prior written notice.

DIRECTORS' REPORT continued

(Amounts expressed in Chinese Renminbi)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY SECURITIES

As at 30th June, 2001, the following Directors had or were deemed to have interests in the equity securities of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance ("the SDI Ordinance"), as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance:

Name	Personal interest	Number of ordinary shares held			Total	Percentage of interests
		Family interest	Corporate interest	Other interest		
Mr. Lin Wan Qaing	232,203,780	—	—	—	232,203,780	66.8%

Save as disclosed above, the Company had no notice of any interests required to be recorded under Section 29 of the SDI Ordinance as at 30th June, 2001.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2001, except for the interests of Mr. Lin Wan Qaing, a Director and a management shareholder of the Company as disclosed in the section head "Directors' and Chief Executives' Interests in Equity Securities" in this report, no person was deemed to have interests being 10% or more in the issued share capital of the Company as recorded in the register by the Company under Section 16(1) of the SDI Ordinance.

Save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30th June, 2001.

DIRECTORS' REPORT continued

(Amounts expressed in Chinese Renminbi)

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to the Company's share option scheme, details of which are set out in Note 20 to the accompanying financial statements, certain employees of the Group (including executive Directors) were granted share options to subscribe for shares of the Company.

As at 30th June, 2001, no option has been granted to any of the Directors under the share option scheme.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable any of the Directors or members of the Company's management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Save as disclosed above, none of the Directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 3 to the accompanying financial statements, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors or members of the Company's management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTERESTS

None of the Directors or the management shareholder of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

DIRECTORS' REPORT continued

(Amounts expressed in Chinese Renminbi)

SPONSORS' INTERESTS

As updated and notified by the Company's sponsor, Deloitte & Touche Corporate Finance Limited ("DTCFL") and co-sponsor, JS Cresvale International Limited ("JSC"), neither DTCFL and JSC nor their directors, employees or associates had any interest in the share capital of the Company as at 30th June, 2001 pursuant to Rules 6.35 and 18.63 of the GEM Listing Rules.

Pursuant to the sponsorship agreement dated 11th May, 2000 entered into between the Company and DTCFL, DTCFL has received and will receive fees for acting as the Company's sponsor for the remainder of the financial year of the Company ended 30th June, 2001 and two years thereafter or until the sponsorship agreement is terminated upon the terms and conditions set out therein.

MANAGEMENT CONTRACTS

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

COMPLIANCE WITH THE GEM LISTING RULES

The Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of its shares on GEM on 17th May, 2001.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Society of Accountants on 8th May, 2001. The audit committee comprise three independent non-executive Directors, namely Mr. Liu Zhao Cai, Mr. Lam Ming Yung and Mr. Pan Chang Chi. The duties of the audit committee include reviewing the Company's annual reports and quarterly reviews and providing advice and comments thereon to the board of Directors. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures.

DIRECTORS' REPORT continued

(Amounts expressed in Chinese Renminbi)

AUDITORS

The accompanying financial statements were audited by Messrs. Arthur Andersen & Co and Charles Chan, Ip & Fung CPA Ltd. A resolution for the re-appointment of Messrs. Arthur Andersen & Co and Charles Chan, Ip & Fung CPA Ltd. as the Company's auditors for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the board of Directors

Lin Wan Qaing

Chairman

Hong Kong, 24th September, 2001

AUDITORS' REPORT



ANDERSEN

Arthur Andersen & Co
21st Floor Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong



CCIF

Charles Chan, Ip & Fung CPA Ltd.
37th Floor Hennessy Centre
500 Hennessy Road
Causeway Bay
Hong Kong

Auditors' Report to the Shareholders of SINOTRONICS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 28 to 66 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

AUDITORS' REPORT continued

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 30th June, 2001 and of the profit and cash flows of the group for the year then ended, and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ARTHUR ANDERSEN & CO*Certified Public Accountants***CHARLES CHAN, IP & FUNG CPA LTD.***Certified Public Accountants***Chan Wai Dune, Charles***Practising Certificate Number P00712*

Hong Kong,
24th September, 2001

CONSOLIDATED INCOME STATEMENT

For the year ended 30th June, 2001
(Expressed in Chinese Renminbi)

	Notes	2001 RMB'000	2000 RMB'000
Turnover	4	189,128	86,756
Cost of sales		<u>(91,219)</u>	<u>(47,816)</u>
Gross profit		97,909	38,940
Selling and distribution expenses	3	(4,185)	(2,732)
General and administrative expenses	3	<u>(17,941)</u>	<u>(10,793)</u>
Profit from operations		75,783	25,415
Subsidies	4	400	400
Interest income	3, 4	204	381
Finance costs	3, 5	<u>(5,198)</u>	<u>(8,708)</u>
Profit before taxation	6	71,189	17,488
Taxation	8	<u>(7,622)</u>	<u>—</u>
Profit after taxation but before minority interests		63,567	17,488
Minority interests		<u>(6,737)</u>	<u>(8,358)</u>
Profit attributable to shareholders	9	56,830	9,130
Retained profit (Accumulated deficit), beginning of year		<u>6,789</u>	<u>(2,341)</u>
Retained profit, end of year		<u><u>63,619</u></u>	<u><u>6,789</u></u>
Earnings per share – Basic	10	<u><u>RMB0.20</u></u>	<u><u>RMB0.03</u></u>

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 30th June, 2001
(Expressed in Chinese Renminbi)

	<i>Note</i>	2001 <i>RMB'000</i>	2000 <i>RMB'000</i>
Net gains not recognised in the consolidated income statement			
– Surplus on revaluation of land and buildings	21	256	—
Profit attributable to shareholders		<u>56,830</u>	<u>9,130</u>
Total recognised gains		<u>57,086</u>	<u>9,130</u>

BALANCE SHEETS

As at 30th June, 2001
(Expressed in Chinese Renminbi)

	Note	Consolidated		Company
		2001 RMB'000	2000 RMB'000	2001 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	11	96,734	82,752	297
Investment in subsidiaries	12	—	—	116,408
Total non-current assets		96,734	82,752	116,705
CURRENT ASSETS				
Inventories	13	8,726	6,585	—
Prepayments, deposits and other current assets	14	16,319	13,815	804
Other receivables	15	13,908	—	—
Trade receivables	16	61,211	61,904	—
Due from a director	3	142	—	—
Cash and bank deposits		63,372	3,409	25,375
Total current assets		163,678	85,713	26,179
CURRENT LIABILITIES				
Short-term bank loans	17	(35,000)	(61,586)	—
Long-term bank loans, current portion	18	(7,000)	(7,000)	—
Trade payables	3	(19,346)	(12,422)	—
Accruals and other payables		(7,191)	(1,322)	(689)
Loans from related companies	3	(10,621)	—	—
Due to related companies	3	(4,202)	(516)	—
Due to a director	3	—	(1,363)	—
Taxation payable		(2,288)	(1,812)	—
Total current liabilities		(85,648)	(86,021)	(689)
Net currents assets (liabilities)		78,030	(308)	25,490
Total assets less current liabilities		174,764	82,444	142,195

BALANCE SHEETS continued

As at 30th June, 2001
(Expressed in Chinese Renminbi)

	Note	Consolidated		Company
		2001 RMB'000	2000 RMB'000	2001 RMB'000
NON-CURRENT LIABILITIES				
Long-term bank loans	18	—	(10,000)	—
Loans from related companies	3	—	(10,621)	—
Construction cost payable		—	(3,015)	—
Total non-current liabilities		—	(23,636)	—
MINORITY INTERESTS		(12,646)	(5,881)	—
Net assets		162,118	52,927	142,195
Representing:				
SHARE CAPITAL	19	36,848	41,400	36,848
RESERVES	21	125,270	11,527	105,347
Shareholders' equity		162,118	52,927	142,195

Approved by the Board of Directors on 24th September, 2001:

LIN WAN QAING
Chairman

XIANG SONG
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30th June, 2001
(Expressed in Chinese Renminbi)

	<i>Note</i>	2001 <i>RMB'000</i>	2000 <i>RMB'000</i>
Net cash inflow (outflow) from operating activities	<i>22.a</i>	<u>82,663</u>	<u>(3,542)</u>
Returns on investments and servicing of finance			
Interest received		204	381
Finance costs paid		<u>(5,198)</u>	<u>(8,708)</u>
		<u>(4,994)</u>	<u>(8,327)</u>
Taxation			
Mainland China enterprise income tax paid		<u>(5,334)</u>	<u>—</u>
Investing activities			
Additions of property, plant and equipment		(22,130)	(2,557)
Proceeds from disposal of property, plant and equipment		—	154
Increase in other receivables		(13,908)	—
Decrease (Increase) in loan receivable		5,966	(5,966)
Decrease in amount due from a related company		—	28,506
Increase in amount due from a director		<u>(142)</u>	<u>—</u>
		<u>(30,214)</u>	<u>20,137</u>
Net cash inflow before financing activities		<u>42,121</u>	<u>8,268</u>

CONSOLIDATED CASH FLOW STATEMENT continued

For the year ended 30th June, 2001
(Expressed in Chinese Renminbi)

	<i>Note</i>	2001 <i>RMB'000</i>	2000 <i>RMB'000</i>
Financing activities	<i>22.b</i>		
Issue of shares		74,054	—
Share issuance expenses		(22,032)	—
Issue of shares by a subsidiary		83	—
New short-term bank loans		41,243	31,586
Repayment of short-term bank loans		(67,829)	(46,000)
New long-term bank loans		—	10,000
Repayment of long-term bank loans		(10,000)	(16,586)
New loans from related companies		—	10,621
Advances from related companies		4,202	516
Repayment to related companies		(516)	—
Advances from a director		2,396	1,545
Repayment to a director		(3,759)	—
		<u>17,842</u>	<u>(8,318)</u>
Increase (Decrease) in cash and bank deposits		59,963	(50)
Cash and bank deposits, beginning of year		<u>3,409</u>	<u>3,459</u>
Cash and bank deposits, end of year		<u><u>63,372</u></u>	<u><u>3,409</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

Sinotronics Holdings Limited (“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 have been listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“GEM”) since 17th May, 2001.

On 8th May, 2001, the Company became the holding company of the other companies comprising the group pursuant to a group reorganisation (“the Reorganisation”) which included exchange of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries (“the Group”) resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the year ended 30th June, 2001, rather than from the date on which the Reorganisation was completed. The comparative figures as at and for the year ended 30th June, 2000 have been presented on the same basis.

No balance sheet of the Company as at 30th June, 2000 is presented as it was incorporated subsequent to that date.

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of electronic manufacturing services and the manufacturing and trading of printed circuit boards, and trading of electronic components.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM. Principal accounting policies are summarised below:

a. Basis of measurement

The financial statements have been prepared on the historical cost basis as modified by the revaluation of land and buildings.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

b. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal. Significant intra-group transactions and balances have been eliminated on consolidation.

c. Subsidiaries

A subsidiary is a company in which the Company holds, directly or indirectly, more than 50% of its issued voting share capital as a long-term investment or in which the Group governs and controls its financial and operating policies and its board of directors. In the Company's financial statements, investment in subsidiaries is stated at cost less provision for any impairment in value, while income from subsidiaries is recorded to the extent of dividends received and receivable.

d. Equity joint ventures

An equity joint venture is a joint venture in which the joint venture partners' shares of profit or loss and net assets upon the expiration of the joint venture period are in proportion to their equity interests set out in the joint venture agreement. An equity joint venture is accounted for as a subsidiary if the Group owns more than 50% of the joint venture and is able to govern and control its financial and operating policies and its board of directors.

e. Turnover and revenue recognition

Turnover represents the net invoiced value (excluding value added tax) of merchandise sold after allowances for returns and discounts.

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. Sales revenue is recognised when the merchandise is delivered and title has passed. Subsidy is recognised when the right to receive payment is established. Interest income is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

f. Taxation

Individual companies within the Group provide for profits tax on the basis of their profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

Deferred taxation is provided under the liability method in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except when it is considered that no liability will arise in the foreseeable future. Deferred tax assets are not recognised unless the related benefits are expected to crystallise in the foreseeable future.

g. Employee retirement benefits

Costs of employee retirement benefits are recognised as an expense in the period in which they are incurred.

h. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of the asset at rates based on the actual cost of the specific borrowings. All other borrowing costs are recognised as an expense in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

i. Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation. Major expenditures on modifications and betterments of property, plant and equipment which will result in future economic benefits are capitalised, while expenditures on repairs and maintenance are expensed when incurred. Depreciation is provided on a straight-line basis to write off the cost less estimated residual value of each asset over its estimated useful life. The annual rates of depreciation are as follows:

Land and buildings	4%
Machinery	10%
Furniture and office equipment	20%
Motor vehicles	20%

Land and buildings are subject to independent valuations on a regular basis, with the last valuation performed on 31st March, 2001. In the intervening period, the Directors review the carrying value of land and buildings and adjustments are made where there has been a material change in value. Any increase in valuation of land and buildings is credited to the property revaluation reserve; any decrease is firstly offset against any earlier increase in valuation in respect of the same land and buildings and is thereafter charged to the income statement.

The carrying value of property, plant and equipment is assessed periodically or when factors indicating an impairment are present. Property, plant and equipment carried at cost or valuation less accumulated depreciation are reduced to their recoverable amount if this is lower than net book value, with the difference charged to the income statement. In determining the recoverable amount of items of property, plant and equipment, expected future cash flows are not discounted to their present value.

Gains and losses on disposal of property, plant and equipment are recognised in the income statement based on the net disposal proceeds less the then carrying amount of the assets.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

i. **Property, plant and equipment and depreciation** (continued)

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. No depreciation is provided in respect of construction-in-progress until the construction work is completed.

j. **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost includes cost of raw materials determined using the weighted average method of accounting and, in cases of work-in-progress and finished goods, also direct labour and an appropriate proportion of production overheads. Net realisable value is based on estimated normal selling prices, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

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.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

k. Research and development expenditures

Research expenditures are written off as incurred. Development expenditures 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 expenditures were deferred as at 30th June, 2001.

l. Provisions and contingencies

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (continued)

m. Operating leases

Operating leases represent those leases under which substantially all of the risks and rewards of ownership of the leased assets remain with the lessors. Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the relevant leases.

n. Foreign currency translation

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 rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into their respective functional currencies at the applicable rates of exchange in effect at the balance sheet date. Exchange gains and losses are dealt with in the income statements of the individual companies.

The Group prepares consolidated financial statements in Chinese Renminbi. For the purpose of consolidation, assets and liabilities of subsidiaries with functional currencies other than Chinese Renminbi are translated into Chinese Renminbi at the applicable rates of exchange in effect at the balance sheet date; income and expense items are translated into Chinese Renminbi at the average applicable exchange rates during the year. Exchange differences arising from such translation are dealt with as movements of cumulative translation adjustments. There were no material cumulative translation adjustments during the year ended 30th June, 2001.

o. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in Hong Kong requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

3. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

a. Significant transactions with related parties are summarised below:

	2001 <i>RMB'000</i>	2000 <i>RMB'000</i>
Interest charged by		
– Fujian Furi Electronics Co., Ltd. ⁽ⁱ⁾	577	110
– Fujian Minxiang Electronics Factory ⁽ⁱⁱ⁾	100	—
– Fujian Furi Group Company ⁽ⁱⁱⁱ⁾	—	458
	<u>677</u>	<u>568</u>
Interest earned from Fujian Furi Group Company ⁽ⁱⁱⁱ⁾	—	337
Guarantee fees charged by		
– Fujian Furi Electronics Co., Ltd. ⁽ⁱ⁾	317	—
– Fujian Furi Group Company ⁽ⁱⁱⁱ⁾	150	381
	<u>467</u>	<u>381</u>
Transportation fees charged by Fujian Furi Container Freight Transport Company ⁽ⁱⁱ⁾	2,181	711
Lease rental charged by He Yu Zhu ^(iv)	<u>422</u>	<u>475</u>

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

3. RELATED PARTY TRANSACTIONS (continued)

a. (continued)

Notes:

- (i) Fujian Furi Electronics Co., Ltd. is a minority shareholder of Fujian Fuqiang Delicate Circuit Plate Co., Ltd., a subsidiary.
- (ii) These companies are owned by Fujian Furi Group Company, the holding company of Fujian Furi Electronics Co., Ltd.
- (iii) Fujian Furi Group Company is the holding company of Fujian Furi Electronics Co., Ltd.
- (iv) Ms. He Yu Zhu is the spouse of Mr. Lin Wan Qaing, the majority shareholder and a director of the Company.

b. Details of amount due from/(to) a director are:

	2001 RMB'000	2000 RMB'000	Maximum balance outstanding during the year ended 30th June, 2001 RMB'000
Mr. Lin Wan Qaing	<u>142</u>	<u>(1,363)</u>	<u>142</u>

The amount due from/(to) Mr. Lin Wan Qaing is unsecured, non-interest bearing and without pre-determined repayment terms.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

3. RELATED PARTY TRANSACTIONS (continued)

c. Details of loans from related companies are:

	2001 RMB'000	2000 RMB'000
Fujian Furi Electronics Co., Ltd. ⁽ⁱ⁾	9,056	9,056
Fujian Minxiang Electronics Factory ⁽ⁱⁱ⁾	1,565	1,565
Total	<u>10,621</u>	<u>10,621</u>

Notes:

- (i) Fujian Furi Electronics Co., Ltd. is a minority shareholder of Fujian Fuqiang Delicate Circuit Plate Co., Ltd., a subsidiary of the Company.
- (ii) Fujian Minxiang Electronics Factory is wholly owned by Fujian Furi Group Company, the holding company of Fujian Furi Electronics Co., Ltd.

Loans from related companies are unsecured, bear interest at 6.37% per annum (2000 – 6.37% per annum) and are repayable in May 2002.

d. Details of amounts due to related companies are:

	2001 RMB'000	2000 RMB'000
Fujian Furi Electronics Co., Ltd. ⁽ⁱ⁾	3,952	—
Fujian Minxiang Electronics Factory ⁽ⁱⁱ⁾	100	—
Fujian Furi Group Company ⁽ⁱⁱⁱ⁾	150	—
East Sign Limited ^(iv)	—	516
Total	<u>4,202</u>	<u>516</u>

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

3. RELATED PARTY TRANSACTIONS (continued)

d. (continued)

Notes:

- (i) Fujian Furi Electronics Co., Ltd. is a minority shareholder of Fujian Fuqiang Delicate Circuit Plate Co., Ltd., a subsidiary of the Company.
- (ii) Fujian Minxiang Electronics Factory is wholly owned by Fujian Furi Group Company, the holding company of Fujian Furi Electronics Co., Ltd.
- (iii) Fujian Furi Group Company is the holding company of Fujian Furi Electronics Co., Ltd.
- (iv) East Sign Limited is beneficially owned by Mr. Lin Wan Qaing, the majority shareholder and a director of the Company.

The amounts due to related companies are unsecured, non-interest bearing and without pre-determined repayment terms.

During the year ended 30th June, 2001, the Group had an amount due from (to) East Sign Limited as follows:

	2001	2000	Maximum balance outstanding during the year ended 30th June, 2001
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
East Sign Limited	<u>—</u>	<u>(516)</u>	<u>2,974</u>

e. As at 30th June, 2001, the Group had an amount due to Fujian Furi Container Freight Transport Company of approximately RMB1,051,000 (2000 – RMB92,000) arising from transportation fees charged by this related company (see Note 3.a) included in trade payables. Such amount is unsecured, non-interest bearing and without pre-determined repayment terms.

f. The Group's bank loans are secured by guarantees provided by Fujian Furi Electronics Co., Ltd., and Fujian Furi Group Company (see Note 25).

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

4. TURNOVER AND REVENUE

Turnover and revenue consisted of:

	2001 <i>RMB'000</i>	2000 <i>RMB'000</i>
Turnover – Sales of printed circuit boards	189,128	86,756
Subsidies *	400	400
Interest income	204	381
	<u>189,732</u>	<u>87,537</u>
Total revenue	<u>189,732</u>	<u>87,537</u>

* Subsidies represent grants received from a Mainland China provincial government committee in respect of high technology product development projects carried out by the Group.

Sales to the top five customers accounted for approximately 60% of the Group's sales for the year ended 30th June, 2001 (2000 – 88%).

Turnover by product category and their respective contributions to profit from operations are as follows:

	2001		2000	
	Turnover <i>RMB'000</i>	Profit from operations <i>RMB'000</i>	Turnover <i>RMB'000</i>	Profit from operations <i>RMB'000</i>
Single and double-sided printed circuit boards	84,264	25,840	56,070	14,114
Multilayer printed circuit boards	<u>104,864</u>	<u>49,943</u>	<u>30,686</u>	<u>11,301</u>
	<u>189,128</u>	<u>75,783</u>	<u>86,756</u>	<u>25,415</u>

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

4. TURNOVER AND REVENUE (continued)

Turnover by geographical location** was as follows:

	2001	2000
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	153,492	65,741
Australia	29,068	13,103
United States of America	3,024	4,441
Germany	3,351	3,210
Others	193	261
	<u>189,128</u>	<u>86,756</u>

** Turnover by geographical location is determined on the basis of the destination of shipments/delivery of merchandise.

No analysis of contributions to profit from operations by geographic location is presented as it is generally in line with the distribution of turnover set out above.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

5. FINANCE COSTS

Finance costs consisted of:

	2001 RMB'000	2000 RMB'000
Interest on loans wholly repayable within five years		
– Bank loans	4,054	7,759
– Loans from Fujian Furi Electronics Co., Ltd. (Note 3.a)	577	110
– Loan from Fujian Minxiang Electronics Factory (Note 3.a)	100	—
– Loans from Fujian Furi Group Company (Note 3.a)	—	458
	<u>4,731</u>	<u>8,327</u>
Bank guarantee fees		
– Guarantee provided by Fujian Furi Electronics Co., Ltd. (Note 3.a)	317	—
– Guarantee provided by Fujian Furi Group Company (Note 3.a)	150	381
	<u>467</u>	<u>381</u>
	<u><u>5,198</u></u>	<u><u>8,708</u></u>

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

6. PROFIT BEFORE TAXATION

Profit before taxation is determined after charging and crediting the following items:

	2001 <i>RMB'000</i>	2000 <i>RMB'000</i>
After charging –		
Cost of inventories (excluding provision for obsolete and slow-moving inventories)	89,731	47,266
Employment costs (including directors' emoluments)	6,549	5,614
Less: Amount included in cost of sales	(4,449)	(3,712)
Amount included in research and development expenditures	(531)	(518)
	<u>1,569</u>	<u>1,384</u>
Operating lease rental of premises to		
– related party (Note 3.a)	422	475
– third parties	381	203
Research and development expenditures	579	567
Depreciation of property, plant and equipment	6,532	6,000
Provision for obsolete and slow-moving inventories	1,488	550
Provision for bad and doubtful receivables	5,386	4,245
Net exchange loss	357	94
Auditors' remuneration	<u>689</u>	<u>65</u>
After crediting –		
Interest on		
– loan to a related company (Note 3.a)	—	337
– bank deposits	204	44
Net gain on disposal of property, plant and equipment	<u>—</u>	<u>55</u>

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

- a. Details of emoluments paid/payable to directors of the Company are:

	2001 RMB'000	2000 RMB'000
Fees for executive directors	—	—
Fees for non-executive directors	4	—
Other emoluments for executive directors		
– Basic salaries and allowances	517	282
– Retirement contributions	6	5
	<u>527</u>	<u>287</u>

No directors waived any emoluments during the year. No incentive payment for joining the Group or compensation for loss of office was paid or is payable to any director for the year ended 30th June, 2001 (2000 – Nil).

Analysis of directors' emoluments by number of directors and emolument ranges is as follows:

	2001	2000
Executive directors		
– Nil to RMB1,060,000 (equivalent of HK\$1,000,000)	3	3
Non-executive directors		
– Nil to RMB1,060,000 (equivalent of HK\$1,000,000)	3	—
	<u>6</u>	<u>3</u>

During the year ended 30th June, 2001, the three executive directors received individual emoluments of approximately RMB173,000 (2000 – RMB78,000), RMB323,000 (2000 – RMB149,000) and RMB27,000 (2000 – RMB60,000), respectively, and each of the three non-executive directors received individual emoluments of approximately RMB1,000 (2000 – Nil).

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (continued)

- b. Details of emoluments paid/payable to the five highest paid individuals (including directors and other employees) are:

	2001	2000
	<i>RMB'000</i>	<i>RMB'000</i>
Basic salaries and allowances	1,020	417
Retirement contributions	12	9
	<u>1,032</u>	<u>426</u>

Two (2000 – Three) of the highest paid individuals were directors of the Company, whose emoluments are included in Note 7.a above.

During the year ended 30th June, 2001, 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 (2000 – Nil).

Analysis of emoluments of the five highest paid individuals (including directors and other employees) by number of individuals and emolument ranges is as follows:

	2001	2000
Nil to RMB1,060,000 (equivalent of HK\$1,000,000)	<u>5</u>	<u>5</u>

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

8. TAXATION

Taxation consisted of:

	2001 RMB'000	2000 RMB'000
Mainland China enterprise income tax (c)	<u>7,622</u>	<u>—</u>

Notes:

a. 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 subsidiary established in the British Virgin Islands is incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, is exempt from payment of the British Virgin Islands income taxes.

b. Hong Kong profits tax

No Hong Kong profits tax was provided as the Group had no assessable profit arising in or derived from Hong Kong.

c. Mainland China enterprise income tax

Fujian Fuqiang Delicate Circuit Plate Co., Ltd., a subsidiary, is a sino-foreign equity joint venture established in Fuqing, Mainland China, and is subject to Mainland China enterprise income tax at a rate of 15% on its profit after offsetting prior year's tax losses. However, it is exempted from Mainland China 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. During the year ended 30th June, 2001, Fujian Fuqiang Delicate Circuit Plate Co., Ltd. provided Mainland China enterprise income tax at a rate of 7.5% (2000 – Nil).

d. Mainland China value-added tax and government surcharges

Fujian Fuqiang Delicate Circuit Plate Co., Ltd., a subsidiary, is subject to Mainland China value-added tax ("VAT") at 17% of revenue from sale of merchandise, and city and county maintenance tax of 1.75% on the amount of VAT levied. Input VAT paid on purchase can be used to offset the output VAT levied on sales revenue to determine the net VAT payable.

There was no significant unprovided deferred taxation for the year ended 30th June, 2001 (2000 – Nil). No deferred taxation on revaluation surplus of land and buildings (see Note 21) has been provided as the Group intends to hold the related land and buildings for the long-term.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a loss of approximately RMB3,800,000 dealt with in the financial statements of the Company.

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 30th June, 2001 is based on the consolidated profit attributable to shareholders of approximately RMB56,830,000 (2000 – RMB9,130,000) and on the weighted average number of approximately 279,000,000 (2000 – 270,000,000) ordinary shares deemed to be in issue during the year, on the basis of presentation relating to the Reorganisation as described in Note 1.

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence during the year ended 30th June, 2001 (2000 – Nil).

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT

a. Movements of property, plant and equipment were:

Consolidated

	2001					2000	
	Land and buildings	Furniture and office equipment	Machinery	Motor vehicles	Construction- in-progress	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Costs or valuation							
Beginning of year	27,912	1,939	48,359	2,356	16,582	97,148	91,730
Additions	2,387	531	6,398	558	10,356	20,230	5,572
Transfers	4,589	—	3,443	—	(8,032)	—	—
Disposals	—	—	—	—	—	—	(154)
Revaluation surplus	209	—	—	—	75	284	—
End of year	35,097	2,470	58,200	2,914	18,981	117,662	97,148
Representing							
At cost	—	2,470	58,200	2,914	7,077	70,661	55,311
At valuation	35,097	—	—	—	11,904	47,001	41,837
	35,097	2,470	58,200	2,914	18,981	117,662	97,148
Accumulated depreciation							
Beginning of year	2,678	677	9,845	1,196	—	14,396	8,451
Provision for the year	1,389	287	4,616	240	—	6,532	6,000
Disposals	—	—	—	—	—	—	(55)
End of year	4,067	964	14,461	1,436	—	20,928	14,396
Net book value							
End of year	31,030	1,506	43,739	1,478	18,981	96,734	82,752
Beginning of year	25,234	1,262	38,514	1,160	16,582	82,752	83,279

All land and buildings are located in Mainland China and are held under land use rights for 25 years up to 2025.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

a. (continued)

Land and buildings of approximately RMB29,750,000 and construction-in-progress of approximately RMB11,904,000 as at 30th June, 2001 were stated at open market value on 31st March, 2001 as determined by Sallmanns (Far East) Ltd., independent qualified valuers. The remaining balances of land and building of approximately RMB1,280,000 was stated at the Directors' valuation. Had those land and buildings and construction-in-progress been carried at cost less accumulated depreciation, their net book value as at 30th June, 2001 would have been approximately RMB29,541,000 and RMB11,829,000 respectively (2000 – RMB25,234,000 and RMB16,077,000, respectively).

Company

Property, plant and equipment of the Company consisted of furniture and office equipment, the movements of which were:

	2001 RMB'000
Cost	
Additions and end of year	404
Accumulated depreciation	
Provision for the year and end of year	107
Net book value	
End of year	297

b. Analysis of construction-in-progress is:

	2001 RMB'000	2000 RMB'000
Construction costs of buildings	11,108	14,883
Cost of machinery pending installation	7,077	505
Interest capitalised *	796	1,194
	<u>18,981</u>	<u>16,582</u>

* The average rate of capitalisation of the borrowing costs was approximately 9.36% per annum (2000 – 9.36%).

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

12. INVESTMENT IN SUBSIDIARIES

In the Company's balance sheet, investment in subsidiaries consisted of:

	2001 RMB'000
Unlisted shares, at cost	93,973
Due from subsidiaries	22,435
	<u>116,408</u>

The amounts due from subsidiaries are unsecured and non-interest bearing. The Company has agreed not to demand repayment from the subsidiaries until the subsidiaries are financially capable to do so.

The underlying value of the investment in subsidiaries is, in the opinion of the Company's Directors, not less than the carrying value as at 30th June, 2001.

Details of the subsidiaries as at 30th June, 2001 are as follows:

Name	Place of incorporation/ operations	Issued and fully paid share capital/ registered capital	Percentage of equity interest held ⁽ⁱ⁾	Principal activities
Artic Hong Kong Limited	Hong Kong	HK\$2	100%	Trading of electronic components
Fujian Fuqiang Delicate Circuit Plate Co., Ltd. ⁽ⁱⁱ⁾	Mainland China	RMB46,000,000	90%	Provision of electronic manufacturing services and the manufacturing and trading of printed circuit boards
Superford Holding Limited	British Virgin Islands/ Hong Kong	US\$10,001	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

12. INVESTMENT IN SUBSIDIARIES (continued)

Notes:

- (i) The shares of Fujian Fuqiang Delicate Circuit Plate Co., Ltd. are held indirectly by the Company. The shares of all other subsidiaries are held directly.
- (ii) Fujian Fuqiang Delicate Circuit Plate Co., Ltd. is a sino-foreign equity joint venture established in the open coastal area in Mainland China to be operated for 15 years until March 2011.

None of the subsidiaries had any loan capital in issue at any time during the year ended 30th June, 2001.

13. INVENTORIES

Inventories (consolidated) consisted of:

	2001 <i>RMB'000</i>	2000 <i>RMB'000</i>
Raw materials	3,366	5,449
Work-in-progress	1,398	162
Finished goods	<u>6,000</u>	<u>1,524</u>
	10,764	7,135
<i>Less: Provision for obsolete and slow-moving inventories</i>	<u>(2,038)</u>	<u>(550)</u>
	<u>8,726</u>	<u>6,585</u>

As at 30th June, 2001, no inventories were stated at net realisable value (2000 – Nil).

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

14. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

Prepayments, deposits and other current assets consisted of:

	Consolidated		Company
	2001	2000	2001
	RMB'000	RMB'000	RMB'000
Deferred share issuance expenditures	—	841	—
Advances to suppliers for purchase of raw materials (a)	9,089	3,172	—
Deposits for purchase of machinery	1,025	2,491	—
Advances to employees	611	799	—
Mainland China input value-added tax recoverable	3,957	—	—
Loan receivable (b)	—	5,966	—
Others	1,637	546	804
	<u>16,319</u>	<u>13,815</u>	<u>804</u>

Notes:

- The advances to suppliers are unsecured and non-interest bearing, and will be settled through offset against future purchases payable to these suppliers.
- This represented a loan receivable from a third party. The amount was unsecured, non-interest bearing and was settled during the year ended 30th June, 2001.

15. OTHER RECEIVABLES

In June 2001, the Group entered into a cooperation agreement with a private trading company in Mainland China ("the Business Partner") for the trading of electronic components. In accordance with the agreement, the Group provides financing to the Business Partner who is responsible for carrying out the related purchases and sales. The estimated financing required from the Group is approximately RMB26,500,000. In return, the Group is entitled to 70% of the profit arising from the sales. As at 30th June, 2001, the Group had advanced to the Business Partner approximately RMB13,908,000 for purchases of electronic components, which was recorded as other receivables.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

16. TRADE RECEIVABLES

Trade receivables (consolidated) consisted of:

	2001 RMB'000	2000 RMB'000
Trade receivables	70,842	66,149
Less: Provision for bad and doubtful debts	(9,631)	(4,245)
	<u>61,211</u>	<u>61,904</u>

17. SHORT-TERM BANK LOANS

Short-term bank loans (consolidated) bear interest at approximately 7.02% to 9.36% per annum (2000 – 7.02% to 9.36%). Refer to Note 25 for details of the Group's banking facilities.

18. LONG-TERM BANK LOANS

Analysis of long-term bank loans (consolidated) is as follows:

	2001 RMB'000	2000 RMB'000
Amounts repayable within a period of		
– less than one year	7,000	7,000
– one to two year	—	10,000
	<u>7,000</u>	<u>17,000</u>
Less: Amounts repayable within one year included under current liabilities	(7,000)	(7,000)
	<u>—</u>	<u>10,000</u>

Long-term bank loans bear interest at approximately 7.02% to 9.36% per annum (2000 – 7.02% to 9.36%). Refer to Note 25 for details of the Group's banking facilities.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

19. SHARE CAPITAL

Movements of share capital were:

	Number of shares	Amount RMB'000
<i>Authorised</i> – Ordinary shares of HK\$0.1 (equivalent of RMB0.106) each		
Upon incorporation of the Company (a)	3,800,000	403
Increase in authorised share capital (b)	996,200,000	105,597
	<u>1,000,000,000</u>	<u>106,000</u>
As at 30th June, 2001		
<i>Issued and fully paid</i> – Ordinary shares of HK\$0.1 (equivalent of RMB0.106) each		
Issue of shares upon incorporation (a)	1	—
Issue of shares arising from the Reorganisation (b)	999,999	106
Issue of shares through a placing (c)	67,500,000	7,155
Capitalisation of share premium (d)	269,000,000	28,514
Issue of shares upon exercise of an over-allotment option (e)	10,125,000	1,073
	<u>347,625,000</u>	<u>36,848</u>
As at 30th June, 2001		

The comparative share capital of the Group as at 30th June, 2000 shown on the consolidated balance sheet represents the aggregate nominal value of the share capital of the Company's subsidiaries as at that date.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

19. SHARE CAPITAL (continued)

Notes:

- a. On 29th September, 2000, the Company was incorporated with an authorised share capital of HK\$380,000 (equivalent of RMB403,000), divided into 3,800,000 ordinary shares of HK\$0.1 each. One ordinary share of HK\$0.1 each was issued at par, nil paid.
- b. On 8th May, 2001, the authorised share capital of the Company was increased to HK\$100,000,000 (equivalent of RMB106,000,000) by the creation of an additional 996,200,000 ordinary shares of HK\$0.1 each, ranking pari passu with the then existing ordinary shares in all respects.

On the same day, 999,999 ordinary shares of HK\$0.1 each were issued at par and credited as fully paid in connection with the Reorganisation referred to in Note 1.

- c. On 16th May, 2001, 67,500,000 ordinary shares of HK\$0.1 each were issued at HK\$0.9 (equivalent of RMB0.954) each through a placing in connection with the listing of the Company's shares on the GEM, resulting in cash proceeds (net of share issuance expenses) of HK\$40,334,000 (equivalent of RMB42,754,000).
- d. On 16th May, 2001, share premium of HK\$26,900,000 (equivalent of RMB28,514,000) was capitalised for the issuance of 269,000,000 ordinary shares on a pro-rata basis to the Company's shareholders immediately before the placing described in (c) above.
- e. On 8th June, 2001, the over-allotment option was exercised and 10,125,000 ordinary shares of HK\$0.1 each were issued at HK\$0.9 (equivalent of RMB0.954), resulting in cash proceeds (net of share issuance expenses) of HK\$8,743,000 (equivalent of RMB9,268,000).

20. EMPLOYEE SHARE OPTIONS

The Company has an employee share option scheme, under which it may grant options to employees of the Group (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company from time to time, excluding for this purpose shares issued on exercise of options. The subscription price will be determined by the Board of Directors of the Company and will not be 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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the grant date and (iii) the closing price of the shares on the grant date. No options have been granted since the adoption of the share option scheme.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

21. RESERVES

Movements of reserves were:

	Share premium RMB'000	Contributed Surplus ⁽ⁱ⁾ RMB'000	Capital reserve ⁽ⁱⁱ⁾ RMB'000	Property revaluation reserve RMB'000	Retained profit/ Accumulated deficits RMB'000	Total RMB'000
Consolidated						
1st July, 1999	—	—	—	—	(2,341)	(2,341)
Profit attributable to shareholders	—	—	—	—	9,130	9,130
Increase of effective interest in a subsidiary	—	—	4,738	—	—	4,738
1st July, 2000	—	—	4,738	—	6,789	11,527
Effect of the Reorganisation (Note 1)	—	—	41,377	—	—	41,377
Premium on issue of shares through placing (Note 19.c)	57,240	—	—	—	—	57,240
Premium on issue of shares upon exercise of an over-allotment option (Note 19.e)	8,586	—	—	—	—	8,586
Share issuance expenses	(22,032)	—	—	—	—	(22,032)
Capitalisation of share premium (Note 19.d)	(28,514)	—	—	—	—	(28,514)
Surplus on revaluation of land and buildings (Note 11.a)	—	—	—	256	—	256
Profit attributable to shareholders	—	—	—	—	56,830	56,830
30th June, 2001	15,280	—	46,115	256	63,619	125,270
Company						
1st July, 2000	—	—	—	—	—	—
Effect of the Reorganisation (Note 1)	—	93,867	—	—	—	93,867
Premium on issue of shares through placing (Note 19.c)	57,240	—	—	—	—	57,240
Premium on issue of shares upon exercise of an over-allotment option (Note 19.e)	8,586	—	—	—	—	8,586
Share issuance expenses	(22,032)	—	—	—	—	(22,032)
Capitalisation of share premium (Note 19.d)	(28,514)	—	—	—	—	(28,514)
Loss attributable to shareholders	—	—	—	—	(3,800)	(3,800)
30th June, 2001	15,280	93,867	—	—	(3,800)	105,347

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

21. 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 Reorganisation (Note 1).
- (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 Reorganisation (Note 1).
- (iii) As stipulated by rules and regulations in Mainland China, Fujian Fuqiang Delicate Circuit Plate Co., Ltd. ("Fujian Fuqiang"), a sino-foreign equity joint venture established in Mainland China, is required to appropriate part of its after-tax profit (after offsetting prior year losses) to a general reserve fund and enterprise expansion fund at rates determined by the board of directors. During the year ended 30th June, 2001, the board of directors of Fujian Fuqiang determined not to make any appropriation to the general reserve fund and enterprise expansion fund (2000 – 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, 2001, the Company's reserves available for distribution to shareholders amounted to approximately RMB105,347,000 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 RMB15,280,000 and RMB93,867,000, respectively, less accumulated deficit of approximately RMB3,800,000, 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.

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

- a. Reconciliation of profit before taxation to net cash inflow (outflow) from operating activities:

	2001	2000
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	71,189	17,488
Interest income	(204)	(381)
Finance costs	5,198	8,708
Depreciation of property, plant and equipment	6,532	6,000
Net gain on disposal of property, plant and equipment	—	(55)
(Increase) Decrease in inventories	(2,141)	7,196
Increase in prepayments, deposits and other current assets	(8,470)	(4,534)
Decrease (Increase) in trade receivables	693	(34,043)
Increase in trade payables	6,924	1,545
Increase (Decrease) in accruals and other payables	4,754	(7,278)
(Decrease) Increase in Mainland China value-added tax payable	(1,812)	1,812
	<u>82,663</u>	<u>(3,542)</u>
Net cash inflow (outflow) from operating activities	<u><u>82,663</u></u>	<u><u>(3,542)</u></u>

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

b. Analysis of changes in financing:

	Share capital		Loans				Due to a director	Total
	and share premium	Short-term bank loans	Long-term bank loans	from related companies	Due to related companies	RMB'000		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
As at 1st July, 1999	41,400	76,000	23,586	—	—	(182)	140,804	
New bank loans	—	31,586	10,000	—	—	—	41,586	
Repayment of bank loans	—	(46,000)	(16,586)	—	—	—	(62,586)	
Advances from related companies	—	—	—	—	516	—	516	
Advances from a director	—	—	—	—	—	1,545	1,545	
New loans from related companies	—	—	—	10,621	—	—	10,621	
As at 30th June, 2000	41,400	61,586	17,000	10,621	516	1,363	132,486	
Issue of shares by a subsidiary	83	—	—	—	—	—	83	
Effect of the reorganisation (Note 1)	(41,377)	—	—	—	—	—	(41,377)	
Issue of shares through placing (Note 19.c)	64,395	—	—	—	—	—	64,395	
Exercise of an over-allotment option (Note 19.e)	9,659	—	—	—	—	—	9,659	
Share issuance expenses	(22,032)	—	—	—	—	—	(22,032)	
New bank loans	—	41,243	—	—	—	—	41,243	
Repayment of bank loans	—	(67,829)	(10,000)	—	—	—	(77,829)	
Advances from related companies	—	—	—	—	4,202	—	4,202	
Repayment to related companies	—	—	—	—	(516)	—	(516)	
Advances from a director	—	—	—	—	—	2,396	2,396	
Repayment to a director	—	—	—	—	—	(3,759)	(3,759)	
As at 30th June, 2001	<u>52,128</u>	<u>35,000</u>	<u>7,000</u>	<u>10,621</u>	<u>4,202</u>	<u>—</u>	<u>108,951</u>	

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

23. COMMITMENTS

a. Capital Commitments

Capital commitments (consolidated) not provided for in the financial statements are analysed as follows:

	2001 RMB'000	2000 RMB'000
Acquisition of property, plant and equipment		
– authorised and contracted for	7,167	100
– authorised but not contracted for	49,820	—
	<u>56,987</u>	<u>100</u>

b. Operating lease commitments

Total commitments payable under various non-cancellable operating lease agreements in respect of rented premises are analysed as follows:

	2001 RMB'000	2000 RMB'000
Amounts payable		
– within one year	955	579
– between one and two years	779	1,095
– between two and five years	—	246
	<u>1,734</u>	<u>1,920</u>

The commitments payable within the next twelve months are analysed as follows:

	2001 RMB'000	2000 RMB'000
Leases expiring		
– between one and two years	533	—
– between two and five years	422	579
	<u>955</u>	<u>579</u>

NOTES TO THE FINANCIAL STATEMENTS continued

For the year ended 30th June, 2001

(Amounts expressed in Chinese Renminbi unless otherwise stated)

24. PENSION SCHEMES

From 1st December, 2000, the Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme ("the MPF Scheme"), a defined contribution scheme managed by an independent trustee. Each of the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' contributions are subject to a cap of HK\$1,000 per month and thereafter contributions are voluntary.

As stipulated by the rules and regulations in Mainland China, Fujian Fuqiang Delicate Circuit Plate Co., Ltd., a company established in Mainland China, is required to contribute to a state-sponsored retirement plan for all of its employees at approximately 14% of the basic salary of its employees. The state-sponsored retirement plan is responsible for the entire pension obligations payable to all retired employees and the Company has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contribution.

During the year ended 30th June, 2001, the aggregate contributions made by the Group to the aforementioned pension schemes amounted to approximately RMB561,000 (2000 – RMB335,000). As at 30th June, 2001, there were no material forfeitures available to offset the Group's future contributions (2000 – Nil).

25. BANKING FACILITIES

As at 30th June, 2001, the Group had loan facilities of approximately RMB42,000,000 (2000 – RMB78,586,000) from several banks which were fully utilised as at the same date. The loan facilities were secured by guarantees provided by Fujian Furi Electronics Co., Ltd., a minority shareholder of a subsidiary, and Fujian Furi Group Company, the holding company of Fujian Furi Electronics Co., Ltd.

FINANCIAL SUMMARY

(Amounts expressed in Chinese Renminbi)

OPERATING RESULTS

	Years ended 30th June,		
	2001	2000	1999
	RMB'000	RMB'000	RMB'000
Turnover	189,128	86,756	40,475
Cost of sales	<u>(91,219)</u>	<u>(47,816)</u>	<u>(24,968)</u>
Gross profit	97,909	38,940	15,507
Distribution and selling expenses	(4,185)	(2,732)	(1,260)
General and administrative expenses	<u>(17,941)</u>	<u>(10,793)</u>	<u>(7,737)</u>
Profit from operations	75,783	25,415	6,510
Subsidies	400	400	200
Interest income	204	381	2,572
Finance costs	<u>(5,198)</u>	<u>(8,708)</u>	<u>(5,464)</u>
Profit before taxation	71,189	17,488	3,818
Taxation	<u>(7,622)</u>	<u>—</u>	<u>—</u>
Profit after taxation but before minority interests	63,567	17,488	3,818
Minority interests	<u>(6,737)</u>	<u>(8,358)</u>	<u>(1,909)</u>
Profit attributable to shareholders	<u>56,830</u>	<u>9,130</u>	<u>1,909</u>
Dividend	<u>—</u>	<u>—</u>	<u>—</u>

FINANCIAL SUMMARY continued

(Amounts expressed in Chinese Renminbi)

ASSETS AND LIABILITIES

	As at 30th June,	
	2001	2000
	RMB'000	RMB'000
Property, plant and equipment	96,734	82,752
Current assets	163,678	85,713
Current liabilities	(85,648)	(86,021)
Long-term bank loans	—	(10,000)
Other non-current liabilities	—	(13,636)
Minority interests	(12,646)	(5,881)
	<u> </u>	<u> </u>
Net assets	<u>162,118</u>	<u>52,927</u>
Representing:		
Share capital	36,848	41,400
Reserves	<u>125,270</u>	<u>11,527</u>
	<u> </u>	<u> </u>
Shareholders' equity	<u>162,118</u>	<u>52,927</u>

Note:

- Pursuant to a group reorganisation scheme in preparation for the listing of the Company's shares on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group on 8th May, 2001. The summary of consolidated assets and liabilities as at 30th June, 2000 and 2001 and operating results for the years ended 30th June, 1999, 2000 and 2001 was prepared as if the current group structure had been in existence as at those dates. Details of the basis of presentation are set out in Note 1 to the accompanying financial statements.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the first annual general meeting (the "Meeting") of Sinotronics Holdings Limited (the "Company") will be held at Room 2807, 28th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on 31st October, 2001 at 11:00 a.m. for the following purposes:

1. to receive and approve the audited consolidated financial statements and the reports of the directors and auditors of the Company (the "Directors" and the "Auditors", respectively) for the year ended 30th June, 2001;
2. to re-elect the retiring Directors and to authorise the board of Directors (the "Board") to fix the Directors' remuneration;
3. to re-appoint the Auditors and to authorise the Board to fix their remuneration;

and as special business, to consider and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions:

4A. "THAT:

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period of all the powers of the Company to purchase shares (each a "Share") of HK\$0.10 each in the capital of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (as amended from time to time) or of any other stock exchange be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to purchase Shares at a price determined by the Directors;

NOTICE OF ANNUAL GENERAL MEETING continued

- (c) the aggregate nominal amount of the Shares which are authorised to be purchased by the Directors pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this resolution, and the said authority shall be limited accordingly;
- (d) for the purposes of this resolution:

“Relevant Period” means the period from the date of passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Company’s articles of association, the Companies Law (Revised) of the Cayman Islands or any other applicable law of the Cayman Islands to be held; or
- (iii) the date upon which the authority set out in this resolution is revoked or varied by way of ordinary resolution of the Company in general meeting.”

4B. “THAT:

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares (each a “Share”) in the capital of the Company and to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;

NOTICE OF ANNUAL GENERAL MEETING continued

- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval granted in paragraph (a), otherwise than pursuant to (i) a Rights Issue, or (ii) the share option scheme of the Company approved by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on Shares in accordance with the Company's articles of association, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

"Relevant Period" shall have the same meaning as ascribed to it under the resolution set out in paragraph 4A(d) of the notice convening the Meeting; and

"Rights Issue" means an offer of Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of the Shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws or any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange, in any territory outside Hong Kong)."

4C. "THAT:

conditional upon the passing of the resolutions set out in paragraphs 4A and 4B of the notice convening the Meeting, the general mandate granted to the Directors pursuant to the resolution set out in paragraph 4B of the notice convening the Meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of share capital of the Company purchased by the Company under the authority granted pursuant to the resolution set out in paragraph 4A of the notice convening the Meeting, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of this resolution."

NOTICE OF ANNUAL GENERAL MEETING continued

5. To transact any other business.

By Order of the Board
Tong Yiu On
Company Secretary

Hong Kong, 24th September, 2001

Notes:

1. Any shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more separate proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
2. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited at the Company's principal office in Hong Kong at Room 2807, 28th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or any adjourned Meeting.
3. With respect to the resolution set out in paragraph 4A of the notice, approval is being sought from shareholders of the Company for a general mandate to be given to the Directors to purchase shares of the Company.
4. With respect to the resolutions set out in paragraphs 4B and 4C of the notice, approval is being sought from shareholders of the Company for general mandates to be given to the Directors to allot, issue and deal with shares of the Company in accordance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.
5. An explanatory statement containing the information with respect to the resolutions set out in paragraphs 4A to 4C of the notice will be sent to the shareholders of the Company together with the Company's 2001 annual report.