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Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr Cheung Shuen Lung (*Chairman*)

Mr Lei Hon Sang

Professor Wei Xin

Professor Zou Wei

Mr Yung Richard, Jr.

Non-executive directors

Professor Wang Xuan (*Honorary Co-Chairman*)

Mr Yung Chih Shin, Richard (*Honorary Co-Chairman*)

Independent non-executive directors

Mr Yang Lin, Richard

Mr Lee Ying Bui, Andrew

COMPANY SECRETARY

Ms Tang Yuk Bo, Yvonne

REGISTERED OFFICE

Cedar House

41 Cedar Avenue

Hamilton HM12

Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1408, 14th Floor

Cable TV Tower

9 Hoi Shing Road

Tsuen Wan

New Territories

Hong Kong

PRINCIPAL BANKERS

BNP Paribas Hong Kong Branch

Bank of China

The Hongkong and Shanghai Banking Corporation Limited

LEGAL ADVISER

Koo and Partners

AUDITORS

Ernst & Young

Certified Public Accountants

SHARE REGISTRARS AND TRANSFER OFFICE

Principal registrars:

Butterfield Corporate Services Limited

Rosebank Centre

14 Bermudiana Road

Hamilton

Bermuda

Hong Kong branch share registrars and transfer

office:

Tengis Limited

4/F Hutchison House

10 Harcourt Road

Hong Kong

WEBSITE ADDRESS

<http://www.ecfounder.com>

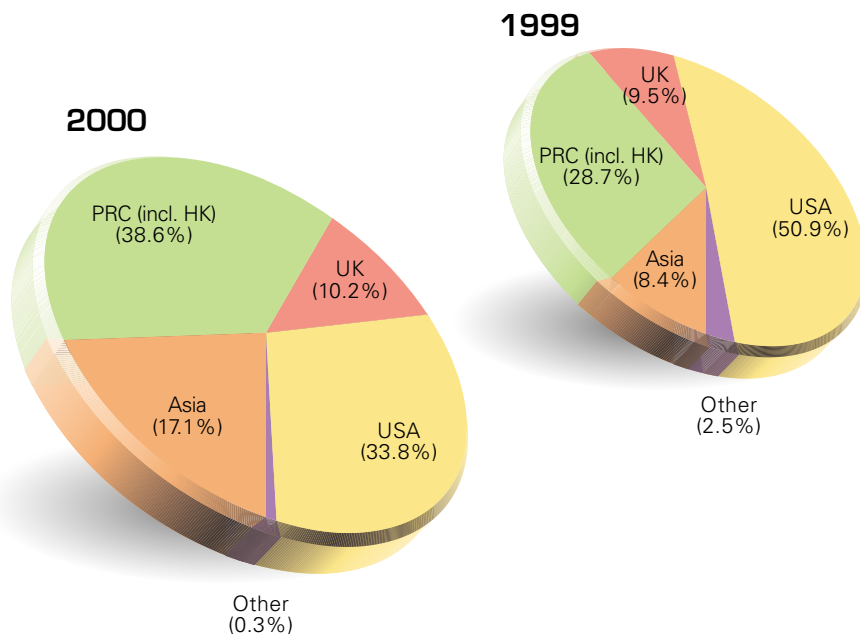
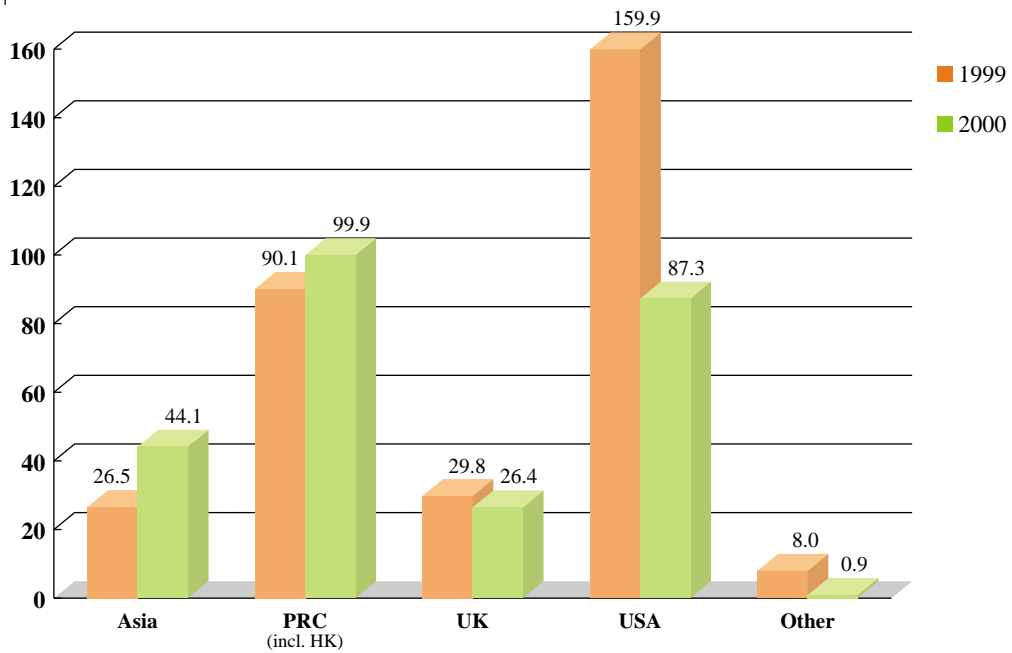
Financial Highlights

Year	2000	1999	1998	1997	1996
Turnover(HK\$' million)	259	314	367	333	543
Total assets(HK\$' million)	426	327	314	306	368
Total liabilities(HK\$' million)	173	140	145	90	244
Net assets(HK\$' million)	253	187	169	216	124
Net assets per share(HK\$)	0.31	1.05	0.95	1.22	0.70
Current assets ratio	1.68	1.19	1.27	2.25	1.13
Long term debt to equity ratio	0.018	0.035	0.034	0.007	0.032

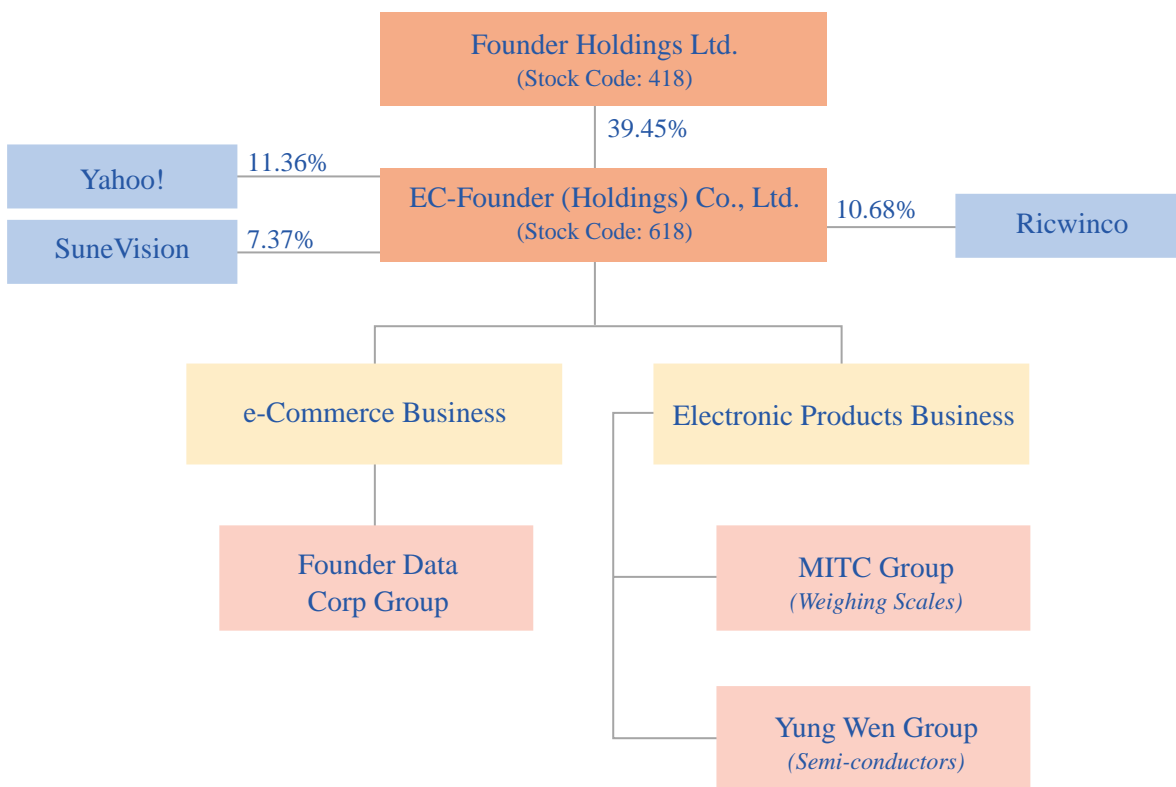
Financial Highlights

Turnover by Geographic Areas

HK\$ million



Organisation Chart



Chairman's Statement

I herein present the annual report for the results of the Group for the year ended 31 December 2000.

REVIEW OF OPERATIONS

Major transaction

As disclosed in the circular dated 9 September 2000 of the Company, the Company entered into several agreements among which included the disposal of Lighting Products businesses to one of the shareholders and the acquisition of the e-Commerce businesses from Founder Holdings Limited ("Founder"). The transactions have been successfully completed and the Group has now re-positioned itself as the "*e-Commerce Enabler*". Not only the Group has transformed into the e-business flagship of Founder in the e-Commerce industry, it has also gained several renowned shareholders who possess world-class reputation in their special field of industry - such as Yahoo! and SuneVision.

Financial Review

For the year ended 31 December 2000, the turnover of the Group was approximately HK\$259 million, a decrease of approximately 17.7% from last year. The major reason of decrease in turnover was due to the cessation of low value added services of the "passing through" trading of lighting products which amounted to approximately HK\$91 million in 1999. Nevertheless, there was an increase in turnover of approximately 11.2%, which amounted to approximately HK\$249 million, in the sales of electronics product. Such increase was mainly derived from the increase in sales in semi-conductor products. In addition, the new e-Commerce business contributes a total of approximately HK\$10 million in turnover for the results in 2000.

The gross profit margin of the sales of electronics products has suffered from the higher production cost. However, the contributions generated from the high profit margin e-Commerce sector have brought back the Group's overall gross profit margin to approximately 10.6%, which remained stable as compared to 10.9% in 1999.

The decrease in results from operating activities was also affected by the decrease in other revenue and increase in expenses. The decrease in other revenue was mainly due to the non-recurring exceptional bonus income in 1999 which amounted to approximately HK\$19 million. The increase in expenses was due to the increase in operating expenses of the traditional business and the inclusion of e-Commerce business in 2000.

Chairman's Statement

Provision of software solution and e-Commerce services

In the era of e-business and internet world, the Company decided to diversify from its traditional business into the e-Commerce business. Despite the unexpected downturn of internet businesses, the Group has recorded a turnover of approximately HK\$10 million during the last quarter of 2000. The gross profit margin of this sector was approximately 38% which is significantly higher than the traditional manufacture and sale of electronic products business of an average of 8% to 15%.

During the period under review, the new business sector mainly includes the following business:

- Provision of software solution
 - distribution of Mapinfo software solution in Greater China
 - develope own brand software products for system security - FireGate
 - develope own brand software products for geographical information systems

- Provision of internet advertising agency services
 - Exclusive advertising agency of one of the world's leading internet portal - Yahoo! in the PRC

- Provision of e-Commerce solution

- Provision of web management

Manufacture and sale of electronics products

For the year ended 31 December 2000, the turnover in this sector decreased by approximately HK\$65 million compared to 1999, to approximately HK\$249 million.

An approximately HK\$91 million turnover generated from the "passing through" trading of lighting products to the United States of America was included in 1999. Since this low value added service contributed a merely gross profit margin of around 1.4%, the Group has delegated its resources to other high margin activities.

Chairman's Statement

Excluding the above factor, on the other hand, the turnover generated from manufacturing and sale of electronics products has actually increased by approximately 11%, ie approximately HK\$249 million in 2000. The increase was mainly came from improvement of sales in Singapore for semi-conductor products due to the successful negotiation with the supplier to increase and secured the punctual supply of quality raw material of production.

The gross profit margin in this sector was lower than last year mainly due to the cost of fuel oil (for the generation of electricity for production) and the cost of plastic (which formed a substantial part of production for weighing scale) have both increased in 2000.

FUTURE PROSPECTS

Manufacture and sale of electronics products

In order to increase the sales volume in semi-conductor products, the Company has decided to set up a joint-venture in Singapore with Nissho Iwai, one of the major supplier of dices in the semi-conductor business. When the supply of dices is firmly secured, the production capacity can be increased to 3 times of the existing scale. Hence, the management have full confident that the expansion in operation can increase its contribution in this business sector for the future.

Provision of software solution and e-Commerce services

The focus of the Group's e-Commerce sector in the forthcoming year will be summarised as follows:

1. Security Products and Solutions
2. Enterprise Information Solutions
3. Location Based Business Intelligence
4. e-Finance

Security Products and Solutions

Alongside with the rapid development of Information Technology industry in the PRC, information security industry will become the major and high growth sector in the future. In 2000, it was estimated that approximately 10% of network products related to information security products, which represented a market size of approximately RMB 5 billion.

Chairman's Statement

EC-Founder was appointed by the Beijing 2008 Olympic Bidding Committee to construct its official website and the Company had applied its innovative technology in the development of the website's network security.

On the other hand, EC-Founder is pleased to announce its success as the first company to obtain the highest level of firewall technology certificate which was granted by the PRC Public Security Bureau.

The Company has also successfully developed and launched its security products - FireGate in March 2001. The provision of software solution and services will be carried out through Founder's nation-wide distribution network. On the other hand, the Company has set up a unique "iTornado" environment to carry out various experiments and testing of the security systems.

These impressive results have proved the possession of sound and solid technical abilities by the research team of EC-Founder. Following the launch of FireGate, EC-Founder will join as one of the leaders in the field of information security system and target to rank as the top three security products supplier in the PRC by the end of this year.

Enterprise Information Solutions

In 2000, the Company conducted an in-depth research with over 100 PRC enterprises (mainly in the Pearl River Delta area) which were in the process of computerization. The results indicated that these enterprises have strong demands for better solutions which can improve the progress of computerization. Hence, the Company launched a new concept at the beginning of 2001 known as Enterprise Application Portal ("EAP") and Government Application Portal ("GAP") which provided a better alternative solution for the PRC enterprises who are in the process of computerization. The flexibility to adopt EAP / GAP at any stage of environment provides more freedom to enterprise / Government to choose the progress of computerization compared to the existing ERP system.

The applications of EAP have been adopted by Beijing Founder Electronics Company Limited - one of the top 5 information technology products distributors as well as one of the major subsidiary company of Founder - in the network system : "Netdealer.com". A Hong Kong based company with over 500 distributors which trades mobile phones and communication products had also applied the Company's EAP product in its e-Commerce system.

Chairman's Statement

In March 2001, the Company held an exhibition in Shenzhen to introduce the Company's EAP / GAP products. With an overwhelming support of attendance of approximately 80 famous enterprises which indicates their interests in the product during the exhibition, it has paved a positive route for the future development of its Enterprise Information Solutions.

Location Based Business Intelligence

The application of Geographic Information System ("GIS") is one of the major development areas in the tenth 5-years plan by the PRC Government. EC-Founder has developed and launched its own GIS products in March 2001 - *Founder Mirage* v5.0 series (including the standard version, professional version, geographical information version, operation version and map accessories). *Founder Mirage* products series will set a solid foundation to become competitive products in the GIS market.

The Company is licensed as the exclusive distributor of *Mapinfo* products which provides Location Based Business Application that can be applied in a wide range of areas including: logistics systems, management of enterprises' information system, asset management for utilities (such as water, natural gas and electricity). Following to the successful cases of application of *Mapinfo* products such as: the field service dispatch system of "Little Red Hat", the logistic system of Coca-cola and the planning and management of data-line system of Shanghai Telecom; these applications have gained tremendous attentions from enterprises during the recent China International e-Commerce exhibition.

Location Based Services ("LBS") platform technology for mobile internet applications and services is also a focus segment for EC-Founder. The leading technology platform will be launched in the second half of 2001 and the major customers will be mobile operators such as China Mobile and mobile value-added services providers.

e-Finance

In order to provide system solution for the finance industry, a new e-finance department was set up in the beginning of 2001. With the strong technical background and the fame to provide excellent services, the Company has gained two contracts from the China Construction Bank to provide services in the setting up of a B2B e-Finance platform for its major customer service system. As a first phase project, this internet based platform will enable the bank to provide real-time fund transfers services and to provide transaction clearance services to its stock broking customers such as 銀河證券、山東證券. On the other hand, the platform can assist the bank to extend its banking services to integrate into the enterprises' business. The award of such contracts provides a brilliant start and confident to this new team to increase its contribution to the Group in the future coming years.

Chairman's Statement

Conclusion

The Group will continue to develop the well established electronic products business as well as to focus on the four major business directions:

- to become the largest supplier of information security products and solutions in the PRC
- to enhance applications of enterprise information solution to the PRC enterprises
- to develop spatial solution as core intelligence strategic solution
- to develop B2B e-Finance technology and applications

With the full support from Founder and the solid technology foundation of the Group, the Directors have full confidence that the Group will succeed in its aim to position as the “e-Commerce Enabler” and becoming the leading software solution and services provider to government, industries, enterprises and e-Commerce operators in the new internet era.

LIQUIDITY AND FINANCIAL RESOURCES

Net Assets

As at 31 December 2000, the Group recorded total assets of approximately HK\$426 million which were financed by liabilities of approximately HK\$173 million and equity of approximately HK\$253 million. The Group's net asset value as at 31 December 2000 increased by approximately 35% to approximately HK\$253 million as compared to approximately HK\$187 million as at 31 December 1999.

Liquidity

The Group had total cash and bank balances of approximately HK\$98 million as at 31 December 2000 (1999: approximately HK\$28 million). After deducting bank loans and overdrafts of approximately of HK\$42 million (1999: approximately HK\$44 million) , the Group recorded a net cash balance of approximately HK\$56 million as compared to net deficit of approximately HK\$16 million as at 31 December 1999. As at 31 December 2000, the Group had both improved the working capital to the ratio of 1.68 (1999: 1.19) and a long term debt to equity ratio of 0.018 (1999: 0.035) with equity being defined as the total of capital and reserves.

Chairman's Statement

Charges on assets

At 31 December 2000 certain land and buildings in the PRC and overseas of the Group and fixed deposits of approximately HK\$12 million were pledged to banks to secure banking facilities granted.

Treasury policies

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. Cash is generally placed in short term deposits denominated in Hong Kong dollars.

Contingent liabilities

At 31 December 2000 the Company had contingent liabilities in relation to guarantees given to banks in connection with facilities granted to certain subsidiaries amounting to approximately HK\$47 million.

EMPLOYEE AND REMUNERATION POLICIES

Salaries and annual bonuses are determined according to positions and performance of the employees. The Group provides on-the-job training to its employees in addition to retirement benefits schemes and medical insurance. To enable its employees to participate in the growth of the Group, the Group has adopted a share option scheme under which the Directors of the Company may, at their discretion, grant options to directors and employees of the Company and its subsidiaries to subscribe for shares of the Company.

The Group has encountered no problems with the recruitment or training of its employees. None of the companies in the Group has experienced any labour disputes in the past and the Directors of the Company consider that the Group has excellent employment relations.

Chairman's Statement

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws.

The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice throughout the accounting period covered by the annual report.

DETAILED RESULTS ANNOUNCEMENT

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules of the Stock Exchange will be subsequently published on the Stock Exchange's web site in due course.

APPRECIATION

I would like to express my sincere thanks and appreciation to all my colleagues and all the staff for their loyalty and full support to the Group during the year and looking forwarding to a more prosperous future in the forthcoming year.

Cheung Shuen Lung

Chairman and Executive Director

Hong Kong, 24 April 2001

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS



Mr Cheung Shuen Lung, aged 45, was appointed as the Chairman and executive director of the Company in September 2000 (*Note*). Mr Cheung is also the President of Founder Holdings Limited (“Founder”), the holding company of the Company. He is a research fellow of the Enterprise Research Institute at Peking University and one of the founders of Founder. He has 20 years of experience in the information technology industry.



Mr Lei Hon Sang, aged 42, was appointed as the President and executive director in September 2000 (*Note*). Mr Lei is also an executive director of Founder. He graduated from the Department of Computer Technology and Applied Mathematics of the University of Hong Kong in 1983. Mr Lei worked in the PRC branch office of a renowned international information technology company for 12 years and was the General Manager of information technology product department of the PRC branch.



Professor Wei Xin, aged 45, was appointed as an executive director of the Company in September 2000 (*Note*). He is also the executive director of Founder and vice financial controller and the executive deputy director of the College of Education Science of Peking University. Professor Wei graduated from Peking University with a master degree in the economics of education, educational planning and financing. He is also a member of the team of experts of the China education project undertaken by the World Bank.



Professor Zou Wei, aged 37, was appointed as an executive director of the Company in September 2000 (*Note*). He is also the Deputy Chief of the Founder Research and Development Centre and the General Manager of the Internet-related Products Department of Founder. He is an associate professor and a supervisor of post-graduates of the Peking University. Professor Zou joined Founder in 1975 and is responsible for the development of internet-related products. He obtained his master degree in Software Studies from the Institute of Software, Science Academy of China in 1988. Before joining Founder, he was responsible for the software and product development in the Science Academy of China and Oracle.



Mr Yung Richard Jr., aged 37, is a son of Mr Yung Chih Shin, Richard. He joined the Group in 1987 after graduation with a Business Administration degree from the University of Southern California. He is the managing director of Management Investment & Technology Company Limited and is responsible for the weighing scale business in the Group.

Note: Following to the completion of the major transactions which were disclosed in the circular of the Company dated 9 September 2000, Founder became the major shareholder of the Company. Accordingly, Mr Cheung Shuen Lung, Mr Lei Hon Sang, Professor Wei Xin and Professor Zou Wei were appointed as executive directors of the Company while Professor Wang Xuan was appointed as the non-executive director and honorary co-chairman of the Company.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTORS



Professor Wang Xuan, aged 64, was appointed as the honorary co-chairman of the Company in September 2000 (*Note*). He is also the Chairman of Founder. He is a professor of Peking University and one of the founders of Founder. Professor Wang graduated from the Department of Mathematics at Peking University in 1958, and lectured and carried out research work at Peking University thereafter. Professor Wang is a member of the Science Academy of China, the China Engineering Academy and the Third World Science Academy. He is also a member of the Standing Committee of the Ninth National People's Congress ("NPC") and the vice-chairman of NPC Education, Science, Culture and Public Health Committee. He is currently the director of the Institute of Computer Science and Technology at Peking University.



Mr Yung Chih Shin, Richard, aged 66, a graduate of electrical engineering from Massachusetts Institute of Technology. He resigned as the chairman and executive director of the Company and became the honorary co-chairman of the Company in September 2000. He founded Management Investment & Technology Company Limited in 1975 and has extensive experience in marketing, product design, factory planning and production management in the electronic industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS



Mr Yang Lin, Richard, aged 72, is the vice-chairman of Chongqing Da Dah Navigation Co. Ltd., PRC, a director of Chongqing Taipan Storage (Petroleum) Ltd., PRC, and Taipan Storage (Petroleum) Pte. Ltd., Singapore and managing director of E-Hsiang Steamship Co. Ltd., Taiwan. He has extensive experience in providing agency, dealer and consultancy services for companies interested in the areas of Taiwan and the PRC. He has been a non-executive director of the Company since 1995.



Mr Lee Ying Bui, Andrew, aged 37, is a Partner of Robertsons, Solicitors and Notaries. Before joining Robertsons Double & Lee in 1990 as an Associate, Mr Lee served his articleship with Robert W.H. Wang & Co. He was admitted as a Partner since 1992. He was also admitted as a lawyer in England and Wales and Australia. He mainly handles civil litigation cases and specialises in insurance cases. He was appointed as a non-executive director of the Company on 8 May 2000.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr Liu Li, aged 38, is currently a vice president of EC-Founder Co., Ltd. (PRC operation). Before joining Founder, Mr Liu worked in a renowned international information technology company for 13 years where he accumulated extensive managerial experiences. Mr Liu graduated from Beijing Posts & Telecommunications Institute in 1982, majoring in Electronic Engineering. In 1999, he pursued an EMBA study with China-Europe International Business School (CEIBS). Mr Liu is responsible for the overall operation of the PRC e-Commerce business.

Mr Yu Li Zhong, Leo, aged 36, is currently a vice president of EC-Founder Co., Ltd (PRC operation). Mr Yu graduated from the Department of Automation, China University of Mining and Technology. Mr Yu joined Founder in 1992 where he accumulated years of experiences in sales and marketing. He was also the assistant to President of Beijing Founder Electronics Co., Ltd., the major subsidiary of Founder, and in charge of the Northern-China business. Mr Yu is responsible for the overall sales management and marketing activities of the PRC e-Commerce business.

Ms Wang Da Hung, Linda, aged 34, joined EC-Founder Co., Ltd. (PRC operation) as human resources manager in 2000. She has over eight years' experiences in human resources management among various international companies in the PRC. Ms Wang graduated from Beijing Finance and Economics Institute, major in Economic Law. She is responsible for human resources function of the PRC e-Commerce business.

Mr Yeung Hok-kuen, Dennis, aged 42, is currently the General Manager of EC-Founder (Hong Kong) Limited. Mr Yeung graduated with a Bachelor Degree in Aeronautical Engineering from The City University of London, UK in 1982. Before joining the Group, he was the manager of a renowned information technology and telecommunication company in Hong Kong and specialise in the areas of Marketing and Business Development. He has over 10 years of sales and marketing working experiences in the information technology and telecommunications industries. Mr Yeung is responsible for the e-Commerce business in Hong Kong.

Mr Ho Yui Pok, aged 35, who joined Founder in April 2000 is now the Financial Controller of the Group since October 2000. He has over 11 years experience in the accounting field and he was an audit manager of an international public accountants firm. Mr. Ho holds a Master degree in Management Science and a Bachelor degree in Accounting from the University of Kent, England. He is an associate member of both the Hong Kong Society of Accountants and the Association of Chartered Accountants in England and Wales. He is also a Certified Public Accountant in Hong Kong. He is responsible for the financial function of the Group.

Mr Yung, Roger, aged 26, is a younger son of Mr Yung Chih Shin, Richard. He joined the Group in 1998 after graduation with a Business Administration degree from the University of San Francisco. Mr Yung is responsible for the internal control and special projects of the Group.

Biographical Details of Directors and Senior Management

Mr Mak Kwok Hong, Eric, aged 45, is the vice-president of operations of Management Investment & Technology Company Limited and is responsible for all its manufacturing operations and related activities. He holds a Master of Science degree in Engineering Management from the City University of Hong Kong. Prior to joining the Group in 1985, he had extensive experience in industrial engineering and production material control with several major electronic manufacturing companies.

Mr Lam Yung Lun, England, aged 41, is the vice-president of marketing of Management Investment & Technology Company Limited and is responsible for all its marketing activities. He has extensive experience in marketing of electrical and electronic products. Mr Lam has been with the Group since 1984.

Mr Shoji Asano, aged 54, is the managing director of Digital Semiconductor Co., Limited and DS Components Limited. He holds a Master of Science degree from the Waseda University and has extensive experience in research, ceramics, plastics, semi-conductor and steel. Before joining the Group in 1998, he was the managing director of a Japanese company engaged in semi-conductor business for 6 years.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of EC-Founder (Holdings) Company Limited will be held at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong on Thursday, 31 May 2001 at 10:00 a.m. for the following purposes:-

1. To receive and consider the audited financial statements for the year ended 31 December 2000 and the reports of the Directors and Auditors thereon.
2. To re-elect Directors and authorise the Board of Directors to fix their remuneration.
3. To re-appoint Auditors and authorise the Board of Directors to fix their remuneration.
4. As special businesses, to consider and, if thought fit, passing the following resolutions, as Ordinary Resolutions:-

(A) **"THAT**

- (a) Subject to paragraph (b) of this Resolution, the exercise by the Directors of the Company during the relevant period (as defined herein) of all the powers of the Company to purchase shares of HK\$0.10 each in the capital of the Company ("Shares"), subject to and in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to paragraph (a) of this Resolution shall be no more than 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution; and
- (c) for the purpose of this Resolution, "relevant period" means the period from the passing of this Resolution until whichever is the earlier 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 any applicable law or the Company's Bye-laws to be held; and
 - (iii) the revocation or variation of this Resolution by the passing of an ordinary resolution in general meeting of the Company."

Notice of Annual General Meeting

(B) **“THAT**

- (a) subject to paragraph (c) of this Resolution, the exercise by the Directors of the Company during the relevant period (as defined herein) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and securities convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors of the Company during the relevant period to make or grant offers, agreements and options (including warrants, bonds and securities convertible into shares of the Company) which would or might require the exercise of such power after the end of the relevant period;
- (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 of the Company pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) the exercise of the conversion rights attaching to any convertible securities issued by the Company; (ii) the exercise of warrants to subscribe for shares of the Company or the exercise of options granted under any share option scheme adopted by the Company; (iii) an issue of shares of the Company in lieu of the whole or part of a dividend on shares of the Company or a bonus issue of shares of the Company in accordance with the Company's Bye-laws; or (iv) any offer of any class of securities of the Company made pro rata (apart from fractional entitlements) by the Company to holders of such class of securities (excluding for that purpose any holder who is resident in a place where such offer is not permitted under the laws of that place), shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution, “relevant period” means the period from the passing of this Resolution until whichever is the earlier 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 any applicable law or the Company's Bye-laws to be held; and
 - (iii) the revocation or variation of this Resolution by the passing of an ordinary resolution in general meeting of the Company.”

Notice of Annual General Meeting

- (C) **“THAT** the general mandate granted to the Directors of the Company to exercise the powers of the Company to allot, issue and deal with shares of the Company pursuant to Ordinary Resolution 4(B) set out in the notice of annual general meeting of the Company of which this Resolution forms part (the “Notice”) be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution 4(A) set out in the Notice, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution.”

By Order of the Board

Tang Yuk Bo, Yvonne

Secretary

Hong Kong, 24 April 2001

Notes:

- (1) Any member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend instead of him. A member who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.
- (2) To be valid, the instrument appointing a proxy, together with the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of such power or authority) must be deposited at the Company's head office and principal place of business in Hong Kong at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong not less than 48 hours before the time for holding the meeting or any adjourned meeting (as the case may be). Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or at any adjourned meeting.
- (3) An explanatory statement containing the information necessary to enable the shareholders to make an informed decision as to whether or not to vote for or against Ordinary Resolution No. 4(A) above to approve the general mandate for the repurchase by the Company of its own Shares, as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, will be sent to shareholders of the Company together with the 2000 annual report.

Report Of The Directors

The directors herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries are set out in note 13 to the financial statements. There were no changes in the nature of the Group's principle activities during the year, except for the commencement of e-Commerce services.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to profit/(loss) from operating activities by principal activity and geographical area of operations for the year ended 31 December 2000 is as follows:

	Turnover		Contribution to profit/(loss) from operating activities	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By activity:				
Provision of software solution and e-Commerce services	10,072	—	(20,446)	—
Manufacture and sale of electronics products	248,592	314,296	(25,077)	9,979
	<u>258,664</u>	<u>314,296</u>	<u>(45,523)</u>	<u>9,979</u>

Report Of The Directors

SEGMENTAL INFORMATION *(Continued)*

	Turnover		Contribution to profit /(loss) from operating activities	
	2000	1999	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
By geographical area:				
The People's Republic of China (the "PRC"):				
Hong Kong	48,272	60,687	(9,463)	17,607
Elsewhere	51,667	29,423	(25,444)	(1,111)
Asia	44,107	26,531	(4,193)	(1,757)
United Kingdom	26,437	29,780	(1,909)	(994)
United States of America ("USA")	87,291	159,910	(5,260)	(3,252)
Others	890	7,965	746	(514)
	<u>258,664</u>	<u>314,296</u>	<u>(45,523)</u>	<u>9,979</u>

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2000 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 74.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 75 of the annual report. This summary is not part of the audited financial statements.

Report Of The Directors

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group are set out in note 11 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 13 to the financial statements.

JOINTLY-CONTROLLED ENTITIES AND ASSOCIATES

Particulars of the Company's and the Group's interests in its principal jointly-controlled entities and associates are set out in notes 14 and 15 to the financial statements, respectively.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Details of the bank loans, overdrafts and other borrowings of the Group are set out in notes 24 to 27 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with reasons therefor, are set out in note 29 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Report Of The Directors

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2000, the Company's reserves available for distribution as calculated in accordance with the Companies Act 1981 of Bermuda (as amended) amounted to approximately HK\$614,849,000. In addition, the Company's share premium account, in the amount of approximately HK\$118,299,000 may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make any charitable contributions.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 60% (1999: 63%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 20% (1999: 18%).

Purchases from the Group's five largest suppliers accounted for approximately 53% (1999: 74%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 38% (1999: 36%).

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

Report Of The Directors

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr Cheung Shuen Lung	(appointed on 28 September 2000)
Mr Lei Hon Sang	(appointed on 28 September 2000)
Professor Wei Xin	(appointed on 28 September 2000)
Professor Zou Wei	(appointed on 28 September 2000)
Mr Yung Richard, Jr.	
Mr Lee King Shing	(resigned on 28 September 2000)

Non-executive directors:

Professor Wang Xuan	(appointed on 28 September 2000)
Mr Yung Chih Shin, Richard	
Dr Wong Sai Wing, James	(resigned on 28 September 2000)
Mr Wong Sing Wai, James	(resigned on 28 September 2000)
Mr Sheng Shu Heng, Sing*	(deceased on 4 March 2000)
Mr Yang Lin, Richard*	
Mr Lee Ying Biu, Andrew*	(appointed on 8 May 2000)

* *Independent non-executive directors*

In accordance with the Company's bye-laws, Mr Lei Hon Sang, Professor Wei Xin, Professor Zou Wei, Professor Wang Xuan and Mr Yung Chih Shin, Richard will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 14 to 17 of the annual report.

Report Of The Directors

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the directors emoluments and of the five highest paid individuals in the Group are set out in notes 6 and 7 to the financial statements, respectively.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 34 to the financial statements, no director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

Save as disclosed in note 34 to the financial statements, 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.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 34 to the financial statements, no contracts of significance were entered into or existed during the year.

Report Of The Directors

DIRECTORS' INTERESTS IN SHARES

At 31 December 2000, the interests of the directors and their respective associates in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Ordinary shares of the Company

Name of director	Number of shares held and nature of interest	
	Corporate	Personal
Mr Yung Chih Shin, Richard	87,680,000	—
Mr Cheung Shuen Lung	—	36,890,100
Mr Lei Hon Sang	—	21,890,100
Professor Wei Xin	—	3,956,000
	<u>87,680,000</u>	<u>62,736,200</u>

Subsidiary

Name of director	Subsidiary in which shares are held	Number of shares held	Nature of interest
Mr Yung Chih Shin, Richard	Management Investment & Technology Company Limited	20,000,000 non-voting deferred shares	Corporate

Mr Yung Chih Shin, Richard is interested in these shares through Ricwinco Investment Limited ("Ricwinco"), a company which is beneficially owned by Mr Richard Chih Shin Yung.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Report Of The Directors

DIRECTORS' INTERESTS IN SHARES *(Continued)*

Save as disclosed above and as disclosed below under the heading "Directors' right to acquire shares"; none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance and recorded in the register required to be maintained pursuant to Section 29 thereof.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to the Company's share option scheme, the Company has granted options on the Company's ordinary shares in favour of certain directors, the summary details of which are as follows:

Name of director	Number of outstanding share options at the beginning of year	Exercised during the year	Number of outstanding share options at the end of year	Exercise period of share options	Exercise price of share options HK\$
Mr Yung Chih Shin, Richard	3,000,000	—	3,000,000	1.8.1997 to 31.7.2002	0.507
Mr Yung Richard, Jr.	2,400,000	—	2,400,000	1.8.1997 to 31.7.2002	0.507
Mr Lee King Shing	2,400,000	—	2,400,000	1.8.1997 to 31.7.2002	0.507
	<u>7,800,000</u>	<u>—</u>	<u>7,800,000</u>		

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangements to enable the directors to acquire such rights in any other body corporate.

Further details of the Company's share option scheme are set out in note 29 to the financial statements.

Report Of The Directors

SUBSTANTIAL SHAREHOLDERS

At 31 December 2000, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder	<i>Notes</i>	Number of ordinary shares held	%
Peking University	1	323,690,000	39.45
Peking University Founder Group Corporation ("Peking Founder")	2	323,690,000	39.45
Founder Holdings Limited ("FHL")		323,690,000	39.45
Yahoo! Inc.		93,240,000	11.36
Ricwinco	3	87,680,000	10.68

Notes:

1. Peking Founder is wholly owned by Peking University. The interests disclosed under Peking University represent its deemed interests in the shares of the Company by virtue of its interest in Peking Founder.
2. Peking Founder, holds more than one-third of the equity capital of FHL and is deemed as interested in the 323,690,000 shares of the Company under the SDI Ordinance.
3. Ricwinco is beneficially owned by Mr Yung Chih Shin, Richard.

There is a duplication of the corporate interests of Mr Yung Chih Shin, Richard as noted in the section "Directors' interests in shares".

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

Report Of The Directors

CONNECTED TRANSACTIONS

On 17 May 2000, the Company entered into a Sales and Purchase Agreement (“S&P”) with shareholders of Founder Data Corporation International Limited (“FDC”), a subsidiary of FHL. Pursuant to the S&P, the Company acquired the entire issued share capital of FDC at a consideration of HK\$439,560,000 by issue of 439,560,000 new ordinary shares of the Company at a price of HK\$1.00 per share. The S&P constituted a major and connected transaction under Rule 14.23(1)(b) of the Listing Rules of The Stock Exchange of Hong Kong Limited (“Listing Rules”).

On 17 May 2000, the Company entered into an Equity Transfer Agreement (“ETA”) with Yahoo! Inc. to acquire 100% interest in Datacom Development Limited (“Datacom”) for a consideration of HK\$93,240,000. The consideration was satisfied by the issue of 93,240,000 new ordinary shares of the Company at a price of HK\$1.00 per share. The ETA constituted a major and connected transaction under Rule 14.23(1)(b) of the Listing Rules.

On 17 May 2000, the Company entered into a Disposal Agreement (“Disposal”) with Ricwinco, a substantial shareholder of the Company beneficially owned by Mr Yung Chih Shin, Richard. Pursuant to the Disposal, the entire issued share capital of Management Investment & Technology International Inc. (“MITI”) and its subsidiaries (the “MITI Group”) and the interest in the indebtedness due to the Company by MITI Group was acquired by Ricwinco. The Disposal constituted a major and connected transaction for the purpose of the Listing Rules.

On 17 May 2000, the Company entered into a Management Agreement (“MA”) with Ricwinco under which Ricwinco was appointed as manager for a period of 3 years with responsibility for the management and conduct of the semi-conductor business and weighing scale business. The MA constituted a major and connected transactions for the purpose of the Listing Rules.

On 17 May 2000, the Company entered into Subscription Agreements (“SA”) with FHL and Mr Cheung Shuen Lung. Under the SA, FHL and Mr Cheung Shuen Lung subscribed, for cash, 16,000,000 and 15,000,000 shares of the Company. The subscription price is HK\$1.00 per share. The SA constituted connected transactions for the Company for the purpose of the Listing Rules.

Further details of the connected transactions are included in note 34 to the financial statements.

The independent non-executive directors of the Company have reviewed the related party transactions as disclosed in note 34 to the financial statements, and have confirmed to the board of directors their opinion that such transactions were conducted in the ordinary course of the Group’s business and were fair and reasonable so far as the shareholders of the Company are concerned.

Report Of The Directors

PENSION SCHEME AND COSTS

The Group's employees in Hong Kong have joined the mandatory provident fund scheme from 1 December 2000. Employees in the PRC are enrolled in the mandatory central pension scheme operated by the PRC Government. Details of the employer's pension costs charged to the profit and loss accounts for the year are set out in note 4 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the annual report, except that the independent non-executive directors are not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's bye-laws. The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice throughout the accounting period covered by the annual report.

AUDITORS

Ernst & Young were appointed as the Company's auditors from the Company's incorporation and resigned on 4 October 1999. On 1 November 1999, PricewaterhouseCoopers were appointed as auditors to fill the casual vacancy. On 30 November 2000, PricewaterhouseCoopers resigned as auditors of the Company and Ernst & Young were appointed on 1 December 2000 by the directors as auditors to fill the casual vacancy so arising. A resolution for reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lei Hon Sang

President & Executive Director

Hong Kong, 24 April 2001

Report Of The Auditors



To the members

EC-Founder (Holdings) Company Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 33 to 74 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 an 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 Company's and the Group's circumstances, consistently applied and adequately disclosed.

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 31 December 2000 and of the loss 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.

Ernst & Young

Certified Public Accountants

Hong Kong
24 April 2001

Consolidated Profit And Loss Account

Year ended 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
TURNOVER	3	258,664	314,296
Cost of sales		<u>(231,194)</u>	<u>(280,115)</u>
Gross profit		27,470	34,181
Other revenue		6,735	22,161
Selling expenses		(17,678)	(2,392)
Administrative expenses		(48,342)	(35,949)
Other operating expenses		<u>(13,708)</u>	<u>(8,022)</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	(45,523)	9,979
Finance costs	5	(7,411)	(6,237)
Share of profits less losses of:			
Jointly-controlled entities		14,014	14,830
Associates		<u>2,159</u>	<u>(1)</u>
PROFIT/(LOSS) BEFORE TAX		(36,761)	18,571
Tax	8	<u>(3,075)</u>	<u>(531)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(39,836)	18,040
Minority interests		<u>(5)</u>	<u>—</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	9	<u><u>(39,841)</u></u>	<u><u>18,040</u></u>
EARNINGS/(LOSS) PER SHARE	10		
— Basic		<u><u>(11.57cents)</u></u>	<u><u>10.16 cents</u></u>
— Diluted		<u><u>N/A</u></u>	<u><u>10.08 cents</u></u>

Consolidated Statement Of Recognised Gains And Losses

Year ended 31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
Exchange differences on translation of the financial statements of foreign entities	30	<u>190</u>	<u>—</u>
Net gain not recognised in the profit and loss account		190	—
Net profit/(loss) for the year attributable to shareholders	30	(39,841)	18,040
Goodwill realised in the profit and loss account on disposal of subsidiaries	30	949	—
Exchange fluctuation reserves realised in the profit and loss account on disposal of subsidiaries	30	<u>1,867</u>	<u>—</u>
Total recognised gains and losses		(36,835)	18,040
Goodwill eliminated directly against reserves	30	<u>(535,389)</u>	<u>—</u>
		<u>(572,224)</u>	<u>18,040</u>

Consolidated Balance Sheet

31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	11	110,387	106,232
Deferred development costs	12	4,980	3,709
Interests in jointly-controlled entities	14	—	59,156
Interests in associates	15	32,318	—
Long term investments	16	1,075	1,075
		148,760	170,172
CURRENT ASSETS			
Short term investments	17	—	982
Inventories	18	71,723	69,898
Trade receivables	19	44,220	28,395
Other receivables	20	62,797	10,020
Due from a venturer in a jointly-controlled entity	3(b)	—	19,325
Cash and bank balances	21	98,384	28,500
		277,124	157,120
CURRENT LIABILITIES			
Trade and bills payables	22	76,895	72,954
Other payables and accruals	23	34,902	11,241
Other loans	24	15,000	10,000
Interest-bearing bank and other borrowings	25	37,715	37,582
		164,512	131,777
NET CURRENT ASSETS		112,612	25,343
TOTAL ASSETS LESS CURRENT LIABILITIES		261,372	195,515
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	26	663	996
Finance lease payables	27	3,956	5,556
		4,619	6,552
Minority interests		3,331	2,349
		253,422	186,614
CAPITAL AND RESERVES			
Issued capital	29	82,056	17,760
Reserves	30	171,366	168,854
		253,422	186,614

Cheung Shuen Lung

Director

Lei Hon Sang

Director

Consolidated Cash Flow Statement

Year ended 31 December 2000

	<i>Notes</i>	2000 HK\$'000	1999 HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM			
OPERATING ACTIVITIES	<i>31(a)</i>	(47,182)	47,656
RETURNS ON INVESTMENTS AND			
SERVICING OF FINANCE			
Interest received		3,218	2,093
Dividend received from short term investments		29	—
Interest paid		(6,252)	(5,412)
Interest element on finance lease rental payment		(1,159)	(825)
		<hr/>	<hr/>
Net cash outflow from returns on		(4,164)	(4,144)
investments and servicing of finance		<hr/>	<hr/>
TAX			
Hong Kong profits tax paid		—	(4)
Overseas taxes refund		—	147
		<hr/>	<hr/>
Net taxes refund		—	143
		<hr/>	<hr/>
INVESTING ACTIVITIES			
Purchase of fixed assets and additions to			
construction in progress		(16,079)	(12,446)
Proceeds from disposal of fixed assets		4,720	1,352
Acquisition of subsidiaries	<i>31(d)</i>	30,899	—
Repayment of loan receivable		—	1,852
Purchase of long term investments		—	(220)
Purchase of short term investments		—	(17,000)
Proceeds from disposal of short term investments		1,719	21,944
Payment for deferred development costs		(1,908)	(3,685)
Loans to associates		(19,360)	—
Disposal of subsidiaries	<i>31(e)</i>	11,617	—
		<hr/>	<hr/>
Net cash inflow/(outflow) from investing activities		11,608	(8,203)
		<hr/>	<hr/>

Consolidated Cash Flow Statement

Year ended 31 December 2000

	Note	2000 HK\$'000	1999 HK\$'000
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		(39,738)	35,452
FINANCING ACTIVITIES	31(b)		
Proceeds from issue of share capital		108,385	—
Share issue expenses		(2,153)	—
Addition/(repayment) of trust receipts bank loans		1,504	(16,352)
Repayment of mortgage loans		(619)	(1,792)
Addition/(repayment) of other loan		5,000	(5,000)
Capital element of finance lease rental payments		(2,908)	(4,225)
New bank loans		—	8,518
Proceeds from sales and leaseback		—	8,000
Net cash inflow/(outflow) from financing activities		109,209	(10,851)
INCREASE IN CASH AND CASH EQUIVALENTS		69,471	24,601
Cash and cash equivalents at beginning of year		25,039	438
Effect of foreign exchange rate changes, net		190	—
CASH AND CASH EQUIVALENTS AT END OF YEAR		94,700	25,039
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		27,337	24,232
Time deposits		71,047	4,268
Bank overdrafts		(3,684)	(3,461)
		94,700	25,039

Balance Sheet

31 December 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	11	1,257	1,037
Interests in subsidiaries	13	<u>699,388</u>	<u>157,490</u>
		700,645	158,527
CURRENT ASSETS			
Short term investments	17	—	982
Loans to jointly-controlled entities	14	—	9,789
Loan to an associate	15	9,360	—
Other receivables	20	55,515	1,594
Cash and bank balances	21	<u>61,456</u>	<u>7,847</u>
		126,331	20,212
CURRENT LIABILITIES			
Other payables and accruals	23	<u>11,772</u>	<u>2,215</u>
NET CURRENT ASSETS			
		<u>114,559</u>	<u>17,997</u>
		815,204	<u>176,524</u>
CAPITAL AND RESERVES			
Issued capital	29	82,056	17,760
Reserves	30	<u>733,148</u>	<u>158,764</u>
		815,204	<u>176,524</u>

Cheung Shuen Lung
Director

Lei Hon Sang
Director

Notes To Financial Statements

31 December 2000

1. CORPORATE INFORMATION

The registered office of EC-Founder (Holdings) Company Limited is located at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.

During the year, the Group was involved in the following principal activities:

- design, manufacture and marketing of consumer and industrial electronic products
- provision of management services
- provision of software solution and e-Commerce services

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic measurement of equity investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2000. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company, other than a jointly-controlled entity or an associate, in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Notes To Financial Statements

31 December 2000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's share of the post acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values other than temporary in nature deemed necessary by the directors.

The results of jointly-controlled entities are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as long term investments and are stated at cost less any provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

Associates

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values other than temporary in nature deemed necessary by the directors.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are stated at cost less any provisions for permanent diminutions in values other than temporary in nature deemed necessary by the directors.

Goodwill

Goodwill arising on consolidation of subsidiaries and on acquisition of associates and jointly-controlled entities represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition. On disposal of subsidiaries, associates and jointly-controlled entities, the relevant portion of attributable goodwill previously eliminated against reserves is written back and included in the calculation of the gain or loss on disposal.

Notes To Financial Statements

31 December 2000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. A subsequent revaluation surplus is credited as income to the extent of the deficit previously charged. On the disposal of revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to the retained earnings as a movement in reserve.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the terms of the individual leases or 50 years, whichever is shorter
Leasehold improvements	10%
Machinery, equipment and moulds	6.67% - 25%
Furniture, fixtures and office equipment	12.5%
Motor vehicles	20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents structures, plant and machinery and other fixed assets under construction or installation and is stated at cost. Cost comprises direct costs of installation and testing during the period of installation. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Notes To Financial Statements

31 December 2000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Research and development costs *(Continued)*

Deferred development costs are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years, commencing from the date when the products are put into commercial production.

The unamortised balance of deferred development costs is reviewed at the end of each period and is written off to the extent that the unamortised balance, taken together with further development and directly related costs, is no longer likely to be recovered.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged or credited to the profit and loss account on the straight-line basis over the lease terms.

Long term investments

Long term investments are non-trading investments in debentures intended to be held on a long term basis. Long terms investments are stated at cost less provision for diminutions in values other than those considered to be temporary in nature deemed necessary by the directors.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

Notes To Financial Statements

31 December 2000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a standard costing basis which approximates average actual cost and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate portion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries, jointly-controlled entities or associated companies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. The Scheme became effective from 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

Prior to the Scheme being effective, the Group operated a defined contributions retirement benefits scheme for those employees who were eligible to participate in the scheme. This scheme operated in a similar way to the Mandatory Provident Fund retirement benefit scheme, except that when an employee left the scheme prior to his/her interest in the Group's employee contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of forfeited contributions. This scheme was terminated on 1 December 2000.

Notes To Financial Statements

31 December 2000

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services, when the transactions have been completed in accordance with the terms of the contracts;
- (c) on disposal of fixed assets, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group has no further substantial acts and/or continuing involvement to complete under the contracts;
- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (e) rental income, on time proportion basis over the lease term.

Related parties

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. Related parties may be individuals or corporate entities.

Cash equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

Notes To Financial Statements

31 December 2000

3. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discount and the value of services rendered during the year.

An analysis of turnover and revenue is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Provision of software solution and e-Commerce services	10,072	—
Sale of goods	248,592	314,296
Turnover	258,664	314,296
Rental income	421	743
Interest income	3,218	2,093
Other gains (note (a) and (b))	1,446	19,325
Revenue	263,749	336,457

- (a) Pursuant to the Management Agreement ("MA") as further disclosed in note 34 to the financial statements, Ricwinco agreed to pay a guaranteed amount of HK\$1,446,000 to the Group for the period from 1 October 2000 to 31 December 2000 during which the profit guarantee is effective. For the year ended 31 December 2000, the Group recognised the profit guarantee amount of HK\$1,446,000 payable by Ricwinco in the accounts.
- (b) As part of the consideration for the sale of 50% interests in Digital Lighting Holdings Limited ("DL") to Alpha Lighting Inc. ("Alpha") by the Group in 1996, Alpha agreed to pay a maximum bonus of HK\$19,325,000 to the Group for the year ended 31 December 1999 if DL and its subsidiaries ("DL Group") are able to meet certain target profits (the "Target") as defined in the underlying agreement. For the year ended 31 December 1999, DL Group achieved the Target and accordingly the Group recognised the bonus of HK\$19,325,000 payable by Alpha in the accounts.

Notes To Financial Statements

31 December 2000

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	Group	
	2000	1999
	HK\$'000	HK\$'000
Depreciation:		
Owned fixed assets	10,641	8,558
Leased fixed assets	2,722	2,339
Less: depreciation capitalised as deferred expenditure	—	(520)
	13,363	10,377
Amortisation and write-off of deferred development costs	637	835
Operating lease rentals:		
Land and buildings	4,687	2,981
Plant and machinery	311	—
Auditors' remuneration	914	579
Staff costs (including directors' remuneration - note 6)		
Wages and salaries	58,719	46,972
Pension contributions	428	—
Less: Forfeited contributions	(119)	—
	59,028	46,972
Loss on disposal of fixed assets	200	46
Write down in value of short term investments	—	6,161
Foreign exchange losses, net	723	2,070
Provision for doubtful debts	5,231	1,861
Gain on disposal of short term investments	(737)	(4,944)
	—————	—————

Notes To Financial Statements

31 December 2000

5. FINANCE COSTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	4,846	3,259
Interest on other loans wholly repayable within five years	1,406	2,153
Interest on finance leases	1,159	825
	<hr/>	<hr/>
Total finance costs	7,411	6,237
	<hr/> <hr/>	<hr/> <hr/>

6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Fees	—	—
Other emoluments:		
Salaries, bonuses and benefits in kind	8,745	6,695
Contributions to provident funds	2	—
	<hr/>	<hr/>
	8,747	6,695
	<hr/> <hr/>	<hr/> <hr/>

The independent non-executive directors received no fees or other emoluments during the year (1999: Nil).

The remuneration of the directors fell within the following bands:

	Number of directors	
	2000	1999
Nil - HK\$1,000,000	11	5
HK\$2,000,001 - HK\$2,500,000	1	1
HK\$4,000,001 - HK\$4,500,000	—	1
HK\$5,000,001 - HK\$5,500,000	1	—
	<hr/>	<hr/>

There were no arrangements under which any director waived or agreed to waive any remuneration during the year.

Notes To Financial Statements

31 December 2000

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (1999: two) directors, details of whose remuneration are set out in note 6 above. The details of the remuneration of the remaining three (1999: three) non-director, highest-paid employees are as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Salaries, bonuses and benefits in kind	3,538	3,619
Contributions to provident funds	1	51
	<u>3,539</u>	<u>3,670</u>

The remuneration of the non-director, highest-paid employees fell within the following band:

	Number of employees	
	2000	1999
HK\$1,000,001 - HK\$1,500,000	<u>3</u>	<u>3</u>

8. TAX

No provision for Hong Kong or overseas tax has been made for the Company and its subsidiaries as they either have no assessable profits or have available tax losses brought forward from prior years to offset against current year estimated assessable profits. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2000	1999
	HK\$'000	HK\$'000
Group:		
Overseas tax credit	<u>—</u>	148
	—	148
Share of tax attributable to:		
Jointly-controlled entities	(2,359)	(679)
Associates	(716)	—
Tax charge for the year	<u>(3,075)</u>	<u>(531)</u>

The amount of deferred tax not recognised is set out in note 28 to the financial statements.

Notes To Financial Statements

31 December 2000

9. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is approximately HK\$352,000 (1999: profit of HK\$2,552,000).

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$39,841,000 (1999: profit of HK\$18,040,000), and the weighted average of 344,219,000 (1999: 177,602,000) ordinary shares in issue during the year.

The diluted loss per share for the year ended 31 December 2000 has not been shown as the impact of the outstanding share options was anti-dilutive.

The calculation of diluted earnings per share in 1999 is based on the net profit attributable to shareholders for the year of HK\$18,040,000. The weighted average number of ordinary shares used in the calculation is 177,602,000 ordinary shares in issue during 1999, as used in the basic earnings per share calculation and the weighted average of 1,326,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during 1999.

Notes To Financial Statements

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11. FIXED ASSETS

Group

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Machinery, equipment and moulds <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:							
At 1 January 2000	39,679	22,097	76,019	8,479	4,537	476	151,287
Acquisition of subsidiaries	—	1,670	—	5,662	—	—	7,332
Additions	384	3,110	1,920	4,495	2,369	3,801	16,079
Transfer from construction in progress	—	422	2,359	113	369	(3,263)	—
Disposal of subsidiaries	—	(213)	—	(163)	(242)	—	(618)
Disposals	(1,536)	(2,051)	—	(1,141)	(1,111)	—	(5,839)
At 31 December 2000	38,527	25,035	80,298	17,445	5,922	1,014	168,241
Accumulated depreciation:							
At 1 January 2000	5,934	5,574	26,982	3,784	2,781	—	45,055
Acquisition of subsidiaries	—	—	—	611	—	—	611
Provided during the year	1,348	1,776	7,039	1,820	1,380	—	13,363
Disposal of subsidiaries	—	(124)	—	(48)	(84)	—	(256)
Disposals	—	(20)	—	(388)	(511)	—	(919)
At 31 December 2000	7,282	7,206	34,021	5,779	3,566	—	57,854
Net book value:							
At 31 December 2000	31,245	17,829	46,277	11,666	2,356	1,014	110,387
At 31 December 1999	33,745	16,523	49,037	4,695	1,756	476	106,232
Analysis of cost and valuation							
At cost	20,527	25,035	80,298	17,445	5,922	1,014	150,241
At 1993 valuation	18,000	—	—	—	—	—	18,000
	38,527	25,035	80,298	17,445	5,922	1,014	168,241

Notes To Financial Statements

31 December 2000

11. FIXED ASSETS (Continued)

Company

	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:				
At 1 January 2000	—	721	868	1,589
Additions	840	417	—	1,257
Transfer to a subsidiary	—	(114)	(398)	(512)
Disposals	—	(607)	(470)	(1,077)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	840	417	—	1,257
Accumulated depreciation:				
At 1 January 2000	—	206	346	552
Provided during the year	—	68	93	161
Transfer to a subsidiary	—	(40)	(120)	(160)
Disposals	—	(234)	(319)	(553)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	—	—	—	—
Net book value:				
At 31 December 2000	<u>840</u>	<u>417</u>	<u>—</u>	<u>1,257</u>
At 31 December 1999	<u>—</u>	<u>515</u>	<u>522</u>	<u>1,037</u>

The net book value of fixed assets of the Group held under finance leases included in the total amount of machinery, equipment and moulds at 31 December 2000 amounted to approximately HK\$26,359,000 (1999: HK\$28,035,000).

Certain leasehold land and buildings with a net book value of approximately HK\$15.8 million (1999: HK\$16.2 million) were revalued at 31 December 1993 by Messrs C. Y. Leung & Company Limited, registered professional surveyors, at open market values based on their existing use. The Group has relied upon the exemption from the requirement to revalue the entire class of leasehold land and buildings on a regular basis, granted under paragraph 72 of Statement of Standard Accounting Practice No. 17 "Property, Plant and Equipment". Had the Group's land and buildings been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK\$12.3 million (1999: HK\$12.6 million).

The leasehold land and buildings comprised five units of residential apartments with an aggregate net book value of approximately HK\$1,181,000 in Shanghai, the PRC, which are held under long term leases. The Group is in the process of obtaining the real estate certificates for these properties.

Notes To Financial Statements

31 December 2000

11. FIXED ASSETS (Continued)

The net book value of fixed assets pledged to banks to secure certain of the Group's banking facilities as at 31 December 2000 amounted to approximately HK\$6,969,000 (1999: HK\$7,279,000).

The Group's land and buildings included above are held under the following lease terms:

	Hong Kong	Elsewhere	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At cost:			
Freehold	—	2,783	2,783
Long term leases	—	9,550	9,550
Short term leases	—	8,194	8,194
	—	<u>20,527</u>	<u>20,527</u>
At 1993 valuation:			
Long term leases	<u>18,000</u>	—	<u>18,000</u>
	<u>18,000</u>	<u>20,527</u>	<u>38,527</u>

12. DEFERRED DEVELOPMENT COSTS

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:		
At beginning of year	3,925	307
Additions	1,908	4,304
Written off	(224)	(686)
At 31 December	<u>5,609</u>	<u>3,925</u>
Accumulated amortisation:		
At beginning of year	216	67
Provided during the year	413	149
At 31 December	<u>629</u>	<u>216</u>
Net book value:		
At 31 December	<u>4,980</u>	<u>3,709</u>

Notes To Financial Statements

31 December 2000

13. INTERESTS IN SUBSIDIARIES

	Company	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	507,623	57,560
Due from subsidiaries	261,694	140,789
Due to subsidiaries	(9,539)	(1,785)
	759,778	196,564
Provisions for diminutions in values	(60,390)	(39,074)
	699,388	157,490

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for balances totalling of approximately HK\$62,743,000 in 1999 which bear interest at Hong Kong dollar prime rate plus 0.25% per annum.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Management Investment & Technology Company Limited ("MITC")	Hong Kong	Ordinary-HK\$2 Deferred- HK\$27,000,002	—	100%	Design, manufacture and sale of weighing scales
Digital Semiconductor Co., Limited ("DS") (c)	Hong Kong	Ordinary-HK\$2 Deferred- HK\$15,787,200	—	100%	Investment holding, marketing and distribution of semi-conductors and provision of subcontracting services

Notes To Financial Statements

31 December 2000

13. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Dongguan Chang Yeung Electronic Co., Ltd. ("Equity JV") (c)	The PRC	HK\$21,326,347	—	(c)	Manufacture and distribution of semi-conductors
Golden Future Profits Limited	British Virgin Islands	US\$1	—	100%	Manufacture and distribution of semi-conductors
DS Components Limited	Hong Kong	HK\$2	—	100%	Marketing and distribution of semi-conductors
Digital Semiconductor (S) Pte Limited	Singapore	S\$2	—	100%	Marketing and distribution of semi-conductors
EC-Founder Co., Ltd.	The PRC	US\$1 million	—	100%*	Provision of software solution and e-Commerce services
EC-Founder (Hong Kong) Limited	Hong Kong	HK\$2	—	100%*	Provision of software solution and e-Commerce services
Founder Data Corporation International Limited	British Virgin Islands	US\$20,000	100%*	—	Investment holding
Beijing AdTargeting Inc.	The PRC	US\$300,000	—	100%*	Provision of internet advertising agency service

* acquired during the year

Notes To Financial Statements

31 December 2000

13. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:

- (a) The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.
- (b) The issued capital of all the above subsidiaries is in the form of ordinary/common shares, except for the subsidiary registered in the PRC whose capital is in the form of paid-up contributions, and HK\$27,000,000 and HK\$15,787,200 of the issued capital of MITC and DS, respectively, which is in the form of non-voting deferred shares.
- (c) Equity JV is a Sino-foreign equity, joint venture established in the PRC on 12 May 1992 with a tenure of 10 years. Pursuant to the joint venture agreement, DS is entitled to share in 85% of Equity JV's profits or losses. Subsequently on 3 April 1995, DS entered into a supplemental agreement with the PRC joint venture partner (the "JV Partner") whereby DS agreed to make certain annual payments to the JV Partner for the remaining tenure of Equity JV and that the JV Partner is not responsible for any losses of Equity JV. In return, the JV Partner agreed to give up all the rights of the profits and of the management and control of Equity JV. As a result, the directors are of the opinion that the Group has full control of the operations of Equity JV and the full entitlement of its profits or losses.

14. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Share of net assets	—	46,189	—	—
Loans to jointly-controlled entities	—	13,017	—	9,789
Loans from jointly-controlled entities	—	(50)	—	—
	<u>—</u>	<u>59,156</u>	<u>—</u>	<u>9,789</u>

The loans granted to/(from) jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment except for amounts of HK\$10,196,000 loans to Digital Lighting Co., Limited which bear interest at Hong Kong dollar prime rate plus 0.25% to 0.5% per annum.

Notes To Financial Statements

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14. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(Continued)*

Particulars of the principal jointly-controlled entities are as follows:

Name	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group		Principal activities
		2000	1999	
Digital Lighting Holdings Limited	British Virgin Islands	— *	50%	Investment holding
Digital Lighting Co., Limited	Hong Kong	— *	50%	Investment holding, manufacture, marketing and distribution of lighting products
Emerald Lighting, Inc.	United States of America	— *	50%	Marketing and distribution of lighting products
Edison Lighting Canada, Inc.	Canada	— *	50%	Marketing and distribution of lighting products
Suzhou Changrong Lamp Sets Co., Ltd.	The PRC	— *	31.25%	Manufacture and distribution of lighting products
Suzhou Rongwen Electronic & Electronic Appliance Co., Ltd.	The PRC	— *	47.5%	Manufacture and distribution of lighting products
Silver Light International Limited	British Virgin Islands	— *	50%	Marketing and distribution of electronic products
Silver Victory Hong Kong Limited	Hong Kong	— *	50%	Manufacture and distribution of electronic products

* disposed of during the year

Notes To Financial Statements

31 December 2000

14. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

The above table lists the jointly-controlled entities of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the Group's interests in jointly-controlled entities. To give details of other jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

All the above investments in jointly-controlled entities are indirectly held by the Company.

15. INTERESTS IN ASSOCIATES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Share of net assets	2,781	1,673	—	—
Loans to associates	29,537	1,070	9,360	—
Loans from associates	—	(783)	—	—
	32,318	1,960	9,360	—
Provision for diminutions in value	—	(1,960)	—	—
	32,318	—	9,360	—

The loans to associates are unsecured and interest-free except for amounts of HK\$17,500,000 which bear interest at Hong Kong dollar prime rate plus 1.5% per annum and repayable within 1 year.

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group		Principal activities
			2000	1999	
MC.Founder Limited	Corporate	Hong Kong	40%	—	Distribution of mobile telephones
Founder iASPEC Limited	Corporate	British Virgin Islands	40%	—	Investment holdings
Founder iASPEC (NB) Limited	Corporate	Hong Kong	26%	—	Provision of information technology consultancy services

Notes To Financial Statements

31 December 2000

15. INTERESTS IN ASSOCIATES *(Continued)*

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

16. LONG TERM INVESTMENTS

	Group	
	2000	1999
	HK\$'000	HK\$'000
Club debenture, at cost	1,075	1,075

17. SHORT TERM INVESTMENTS

	Group		Company	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed equity investments outside of Hong Kong, at market value	—	982	—	982

18. INVENTORIES

	Group	
	2000	1999
	HK\$'000	HK\$'000
Raw materials	32,247	39,557
Work in progress	25,146	13,803
Finished goods	14,330	16,538
	71,723	69,898

The carrying amount of inventories carried at net realisable value included in the above was immaterial.

Notes To Financial Statements

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19. TRADE RECEIVABLES

The Group's credit terms granted to customers range between 30 to 150 days. The aged analysis of trade receivables is as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
1 - 6 months	39,909	20,081
7 - 12 months	2,640	8,314
13 - 24 months	6,893	1,936
Over 24 months	1,767	917
	51,209	31,248
Provision	(6,989)	(2,853)
Total net of provision	44,220	28,395

20. OTHER RECEIVABLES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Prepayments	3,692	5,646	—	20
Deposits and other debtors	2,886	4,374	6	1,574
Due from related companies	56,219	—	55,509	—
	62,797	10,020	55,515	1,594

The amount due from related companies include approximately HK\$54,063,000 and HK\$1,446,000 due from Ricwinco arising from the Disposal Agreement ("Disposal") and Management Agreement ("MA") as further disclosed in note 34 to the financial statements and approximately HK\$710,000 due from Management Investment and Technology International Inc. ("MITI") and its subsidiaries ("MITI Group"). Mr Yung Chih Shin, Richard beneficially owns Ricwinco which in turn beneficially owns MITI Group.

The maximum amounts outstanding during the year equal to the year end balances. The amounts due from Ricwinco is interest-free, secured by 39,000,000 ordinary shares of the Company held by Mr Yung Chih Shin, Richard. The amount of approximately HK\$54,063,000 are repayable by three equal instalments once every three months from the Disposal completion date on 28 September 2000.

The amount due from the MITI Group are unsecured, interest-free and repayable on demand.

Notes To Financial Statements

31 December 2000

21. CASH AND BANK BALANCES

	Group		Company	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Cash and bank balances	27,337	24,232	484	3,579
Time deposits	71,047	4,268	60,972	4,268
	98,384	28,500	61,456	7,847

22. TRADE AND BILLS PAYABLES

	Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Trade and bills payables	76,895	72,954

The aged analysis of trade payables is as follows:

	Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
1-6 months	64,593	61,405
7-12 months	11,838	11,113
Over 12 months	464	436
	76,895	72,954

Notes To Financial Statements

31 December 2000

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Accruals	21,337	1,188	10,956	2,121
Other liabilities	8,587	10,053	—	94
Due to related companies	4,978	—	816	—
	34,902	11,241	11,772	2,215

The amount due to related companies are unsecured, interest-free and have no fixed terms of repayment.

24. OTHER LOANS

Other loans of HK\$10 million and HK\$5 million are unsecured, bearing interest at 12% per annum and 1.6% per month respectively and repayable in March 2001.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	Group	
		2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Bank overdrafts — secured	26	3,684	3,461
Trust receipts loans	26	20,498	18,994
Current portion of bank loans	26	8,841	9,127
Current portion of finance lease payables	27	4,692	6,000
		37,715	37,582

Notes To Financial Statements

31 December 2000

26. INTEREST-BEARING BANK BORROWINGS *(Continued)*

- (a) Certain of the Group's bank loans and trust receipts loans are secured by:
- (i) Mortgages over the Group's land and building situated in overseas which had an aggregate net book value at the balance sheet date of approximately HK\$2,644,000 (1999: HK\$2,699,000);
 - (ii) Charges over the Group's land and buildings situated in the PRC which had an aggregate net book value at the balance sheet date of approximately HK\$4,326,000 (1999: HK\$4,580,000).
 - (iii) Charges over the Group's fixed deposit of HK\$5 million.
- (b) Approximately HK\$9,302,000 (1999: Nil) of the Group's unsecured bank overdrafts and trust receipts loans at the balance sheet date were guaranteed by Ricwinco Investment Limited ("Ricwinco"), a substantial shareholder of the Group.

27. FINANCE LEASE PAYABLES

The obligations under finance leases at the balance sheet date were as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Amounts payable:		
Within one year	5,291	6,800
In the second year	2,938	4,100
In the third to fifth years, inclusive	1,392	1,840
	<hr/>	<hr/>
Total minimum finance lease payments	9,621	12,740
Future finance charges	(973)	(1,184)
	<hr/>	<hr/>
Total net finance lease payables	8,648	11,556
Portion classified as current liabilities — note 25	(4,692)	(6,000)
	<hr/>	<hr/>
Long term portion of lease payables	3,956	5,556
	<hr/> <hr/>	<hr/> <hr/>

Notes To Financial Statements

31 December 2000

28. DEFERRED TAX

The principal components of the Group's provision for deferred tax, and the net deferred tax asset position not recognised in the financial statements are as follows:

	Group	
	2000	1999
	HK\$'000	HK\$'000
Accelerated depreciation allowances	(1,340)	(1,311)
Tax losses carried forward	7,415	6,034
	<u>6,075</u>	<u>4,723</u>

There are no significant potential deferred tax liabilities for which provision has not been made.

29. SHARE CAPITAL

	Group and Company	
	2000	1999
	HK\$'000	HK\$'000
Authorised:		
3,000,000,000 (1999: 500,000,000) ordinary shares of HK\$0.10 each	<u>300,000</u>	<u>50,000</u>
Issued and fully paid:		
820,562,040 (1999: 177,602,040) ordinary shares of HK\$0.10 each	<u>82,056</u>	<u>17,760</u>

During the year, the following movements in share capital were recorded:

- Pursuant to an ordinary resolution passed on 25 September 2000, the authorised share capital of the Company was increased from HK\$50,000,000 to HK\$300,000,000 by the creation of 2,500,000,000 additional shares of HK\$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.

Notes To Financial Statements

31 December 2000

29. SHARE CAPITAL (Continued)

- (b) The subscription rights attaching to 3,600,000 share options were exercised at the subscription price of HK\$0.507 per share, resulting in the issue of 3,600,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of approximately HK\$1,825,000.
- (c) Pursuant to ordinary resolutions passed on 25 September 2000, 439,560,000 and 93,240,000 ordinary shares of HK\$0.10 each were allotted for the acquisition of Founder Data Corporation International Limited and Datacom Developments Limited at total consideration of HK\$439,560,000 and HK\$93,240,000, respectively.
- (d) Pursuant to the placing agreements, 75,560,000 ordinary shares of HK\$0.10 each were allotted on 28 September 2000 at a price of HK\$1.00 per share, resulting in the issue of 75,560,000 shares for a total cash consideration, before expenses, of HK\$75,560,000.
- (e) Pursuant to the subscription agreements, 31,000,000 ordinary shares of HK\$0.10 each were allotted on 28 September 2000 at the subscription price of HK\$1.00 per share, resulting in the issue of 31,000,000 shares for a total cash consideration, before expenses, of HK\$31,000,000.

A summary of the transactions during the year with reference to the above movements of the Company's ordinary share capital is as follows:

	Carrying amount	Shares issued
	2000	2000
	HK\$'000	
At beginning of year	17,760	177,602,040
Share options exercised (b)	360	3,600,000
Share allotted for acquisition of subsidiaries (c)	53,280	532,800,000
Placements (d)	7,556	75,560,000
Subscriptions (e)	3,100	31,000,000
	82,056	820,562,040

Share options

On 11 September 1991, the Company approved a share option scheme (the "Scheme") under which the directors may, at their discretion, grant options to directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted may not exceed 10% of the share capital of the Company in issue from time to time.

As at 1 January 2000, there were 12,000,000 options outstanding which entitled the holders to subscribe for shares of the Company at any time from 1 August 1997 to 31 July 2002. The subscription price payable upon the exercise of each option is HK\$0.507, subject to adjustment.

A total of 3,600,000 share options were exercised during the year and the Company had 8,400,000 outstanding share options at the balance sheet date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 8,400,000 additional shares of HK\$0.10 each for a total cash consideration of approximately HK\$4,259,000 before the related issue expenses.

Notes To Financial Statements

31 December 2000

30. RESERVES

Group

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Non- distributable reserves <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 1999	23,083	37,817	(3,045)	3,873	1,171	87,915	150,814
Realisation of revaluation gain on disposal of leasehold land and buildings	—	—	—	(96)	—	96	—
Profit for the year	—	—	—	—	—	18,040	18,040
At 31 December 1999 and beginning of year	23,083	37,817	(3,045)	3,777	1,171	106,051	168,854
Issue of shares	97,369	479,520	—	—	—	—	576,889
Share issue expenses	(2,153)	—	—	—	—	—	(2,153)
Realisation of goodwill on disposal of subsidiaries	—	949	—	—	—	—	949
Realisation on disposal of subsidiaries	—	—	1,867	—	(1,171)	1,171	1,867
Goodwill arising on acquisition of subsidiaries	—	(518,286)	—	—	—	(17,103)	(535,389)
Exchange realignments	—	—	190	—	—	—	190
Loss for the year	—	—	—	—	—	(39,841)	(39,841)
At 31 December 2000	<u>118,299</u>	<u>—</u>	<u>(988)</u>	<u>3,777</u>	<u>—</u>	<u>50,278</u>	<u>171,366</u>
Reserves retained by:							
Company and subsidiaries	118,299	—	(988)	3,777	—	48,835	169,923
Associates	—	—	—	—	—	1,443	1,443
31 December 2000	<u>118,299</u>	<u>—</u>	<u>(988)</u>	<u>3,777</u>	<u>—</u>	<u>50,278</u>	<u>171,366</u>
Company and subsidiaries	23,083	37,817	(3,067)	3,777	—	99,003	160,613
Jointly-controlled entities	—	—	22	—	1,171	8,673	9,866
Associates	—	—	—	—	—	(1,625)	(1,625)
31 December 1999	<u>23,083</u>	<u>37,817</u>	<u>(3,045)</u>	<u>3,777</u>	<u>1,171</u>	<u>106,051</u>	<u>168,854</u>

Notes To Financial Statements

31 December 2000

30. RESERVES (Continued)

Company

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 1999	23,083	49,460	83,669	156,212
Profit for the year	<u>—</u>	<u>—</u>	<u>2,552</u>	<u>2,552</u>
At 31 December 1999 and beginning of year	23,083	49,460	86,221	158,764
Issue of shares	97,369	479,520	—	576,889
Share issue expenses	(2,153)	—	—	(2,153)
Loss for the year	<u>—</u>	<u>—</u>	<u>(352)</u>	<u>(352)</u>
At 31 December 2000	<u><u>118,299</u></u>	<u><u>528,980</u></u>	<u><u>85,869</u></u>	<u><u>733,148</u></u>

The contributed surplus of the Group represents the difference between the nominal value of the Company's share capital issued as consideration in exchange for the nominal value of the issued share capital of the subsidiaries acquired.

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the Company's shares issued in exchanges therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders in certain circumstances.

Notes To Financial Statements

31 December 2000

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) from operating activities to net cash inflow/(outflow) from operating activities

	Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Profit/(loss) from operating activities	(45,523)	9,979
Interest income	(3,218)	(2,093)
Dividend income	(29)	—
Depreciation	13,363	10,377
Amortisation and write-off of deferred development costs	637	835
Provisions for doubtful debts	5,231	1,861
Write down in value of short term investments	—	6,161
Gain on disposal of short term investments	(737)	(4,944)
Decrease in amount due from a venturer in a jointly-controlled entity	19,325	—
Other gains	(1,446)	(19,325)
Reserves realised on disposal of subsidiaries	2,816	—
Loss on disposal of fixed assets	200	46
Decrease/(increase) in trade debtors	(19,738)	8,589
Increase in inventories	(1,532)	(6,769)
Decrease/(increase) in prepayments, deposits and other receivables	5,344	(1,390)
Increase in trade creditors	3,347	30,012
Decrease in other payables and accrued liabilities	(34,843)	(12,904)
Decrease in net amounts due from jointly-controlled entities	6,030	27,221
Increase in amount due to a related company	4,978	—
Increase in amount due from related companies	(710)	—
Increase in amount due from an associate	(677)	—
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	(47,182)	47,656

Notes To Financial Statements

31 December 2000

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Analysis of changes in group financing during the year

	Share capital (including share premium) <i>HK\$'000</i>	Bank and other loans <i>HK\$'000</i>	Finance lease obligations <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
Balance at 1 January 1999	40,843	53,743	7,781	2,349
Cash inflow/(outflow) from financing, net	—	(14,626)	3,775	—
Balance at 31 December 1999 and beginning of year	40,843	39,117	11,556	2,349
Cash inflow/(outflow) from financing, net	106,232	5,885	(2,908)	—
Share of losses after tax of subsidiaries	—	—	—	5
Non-cash capital contribution	—	—	—	200
Disposal of subsidiaries	—	—	—	(1,250)
Issue of ordinary shares for acquisition of subsidiaries	53,280	—	—	—
Subsidiaries acquired during the year	—	—	—	2,027
Balance at 31 December 2000	<u>200,355</u>	<u>45,002</u>	<u>8,648</u>	<u>3,331</u>

(c) Major non-cash transaction

During the year, the Company issue a total of 532,800,000 ordinary shares of HK\$0.10 each for the acquisition of subsidiaries.

Notes To Financial Statements

31 December 2000

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Acquisition of subsidiaries

	2000 HK\$'000
Net assets acquired:	
Interests in associates	10,838
Fixed assets	6,721
Cash and bank balances	30,899
Inventories	552
Accounts receivable, prepayments and other receivables	4,416
Accounts payable and other accrued liabilities	(43,477)
Minority interests	(2,027)
	<hr/>
	7,922
Goodwill on acquisition	535,389
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	543,311
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Satisfied by:	
Issue of shares	532,800
Incidental acquisition costs	10,511
	<hr/>
	543,311
	<hr/> <hr/>
Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries:	
Cash and bank balances acquired	30,899
	<hr/> <hr/>

The subsidiaries acquired during the year contributed approximately HK\$2,065,000 to the Group's net operating cash flows, paid approximately HK\$158,000 in respect of the net returns on investments and servicing of finance, paid approximately HK\$15,382,000 in respect of investing activities but had no significant impact in respect of tax and the financing activities.

The subsidiaries acquired during the year contributed approximately HK\$10 million to turnover and loss of approximately HK\$19 million to the consolidated loss and before minority interests for the year ended 31 December 2000.

Notes To Financial Statements

31 December 2000

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(e) Disposal of subsidiaries

	2000 HK\$'000
Net assets disposed of:	
Fixed assets	362
Interests in jointly-controlled entities	64,781
Inventories	259
Cash and bank balances	383
Other receivables	1,564
Accounts payable and other accrued liabilities	(36)
Minority interests	(1,250)
	<u>66,063</u>
Satisfied by:	
Cash	12,000
Other receivables	54,063
	<u>66,063</u>

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2000 HK\$'000
Cash consideration	12,000
Cash and bank balances disposed of	(383)
	<u>11,617</u>

The subsidiaries disposed of during the year made no significant contribution to the turnover and contributed profit of approximately HK\$1,379,000 to the consolidated loss after tax for the year ended 31 December 2000.

The subsidiaries disposed of during the year contributed approximately HK\$6,819,000 to the group's net operating cash flow, made no significant contribution in respect of net returns on investments and servicing of finance, utilised approximately HK\$7,011,000 for investing activities and made no significant contribution in respect of financing activities and tax.

Notes To Financial Statements

31 December 2000

32. CONTINGENT LIABILITIES

	Group and Company	
	2000	1999
	HK\$'000	<i>HK\$'000</i>
Guarantees given to banks in connection with facilities granted to :		
Subsidiaries	47,500	47,500
Jointly-controlled entities	—	23,000
	<u>47,500</u>	<u>70,500</u>
Extent of the guaranteed facilities utilised by:		
Subsidiaries	30,876	22,741
Jointly-controlled entities	—	17,681
	<u>30,876</u>	<u>40,422</u>

In addition, the Company has given a corporate guarantee to secure other loan of HK\$10,000,000 (1999: HK\$10,000,000) borrowed by a subsidiary.

33. COMMITMENTS

(a) Capital commitments

	Group	
	2000	1999
	HK\$'000	<i>HK\$'000</i>
Capital commitments:		
Contracted, but not provided for	780	782
	<u>780</u>	<u>782</u>

Notes To Financial Statements

31 December 2000

33. COMMITMENTS (Continued)

(b) Commitment under operating leases

At 31 December 2000, the Group and the Company had commitments under non-cancellable operating leases to make payments in the following year as follows:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Land and buildings expiring:				
Within one year	229	221	—	—
In the second to fifth years, inclusive	3,899	2,585	151	—
After five years	2,201	—	—	—
	6,329	2,806	151	—
Others expiring within one year	10,530	78	—	—
	16,859	2,884	151	—

34. RELATED PARTY TRANSACTIONS

The Company had the following transactions with related parties during the year:

- (i) On 17 May 2000, the Company entered into a Disposal with Ricwinco, a substantial shareholder of the Company and beneficially owned by Mr Yung Chih Shin, Richard. Pursuant to the Disposal, the entire issued share capital of MITI and MITI Group and the interest in the indebtedness due to the Company by MITI Group was acquired by Ricwinco. The total consideration for the Disposal was approximately HK\$66,063,000
- (ii) On 17 May 2000, the Company entered into a MA with Ricwinco under which Ricwinco was appointed as manager for a period of 3 years with responsibility for the management and conduct of the semi-conductor business, which is operated by Yung Wen Investment & Finance Limited and its subsidiaries (the "YWIF Group") and weighing scale business, which is operated by MITC and its subsidiaries (the "MITC Group"). Ricwinco has unconditionally guaranteed to the Company that the audited consolidated profit after tax and minority interests of YWIF Group and MITC Group should not be less than an amount equal to 6% of the net asset value of YWIF Group and MITC Group as at 28 September 2000. The period in which the profit guarantee is effective commencing from 1 October 2000 to 30 September 2003. The MA constituted a major and connected transactions for the purpose of the Listing Rules.

Notes To Financial Statements

31 December 2000

34. RELATED PARTY TRANSACTIONS (Continued)

During the year, the Group entered into the following transactions with its jointly-controlled entity, Digital Lighting Holdings Limited and its subsidiaries (the "DL Group").

	Notes	Group	
		2000 HK\$'000	1999 HK\$'000
Sales of finished goods to the DL Group	(i)	95	33,939
Purchases of finished goods from the DL Group	(ii)	—	86,953
Interest income received from the DL Group	(iii)	565	1,623
Reimbursement of service charges received from/(paid to) the DL Group	(iv)	556	(61)
Rental income received from the DL Group	(v)	397	748
Sales of fixed assets to the DL Group	(v)	1,078	790

- (i) The sales of finished goods to the DL Group were made at cost plus a mark-up of 1.5%.
- (ii) The directors considered that the purchase of finished goods were made according to the published prices and conditions similar to those offered to other customers of the supplier.
- (iii) The interest income received from the DL Group was calculated based on the interest rate disclosed in note 14 to the financial statements.
- (iv) The reimbursement of service charges received from/(paid to) the DL Group represented the reimbursement of actual general and administrative expenses either received from, or paid to the DL Group.
- (v) The transactions were conducted at current market prices as determined between the two parties.

During the year, finished goods of approximately HK\$378,000 were sold to Torex Semiconductors (Hong Kong) Limited which is beneficially owned by Mr David Yung. Mr David Yung is a close family member of Mr Yung Chih Shin, Richard, a director of the Company.

During the year, the Group received loan interest from an associate MC.Founder Limited of approximately HK\$639,000. The rate of interest is disclosed in note 15 to the financial statements.

During the year, Ricwinco guaranteed approximately HK\$9,302,000 of the Group's unsecured bank overdrafts and trust receipts loans.

In the opinion of the directors, the above transactions arose in the ordinary course of business.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 24 April 2001.

Five Year Financial Summary

31 December 2000

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

	Year ended 31 December				
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	1998 <i>HK\$'000</i>	1997 <i>HK\$'000</i>	1996 <i>HK\$'000</i>
RESULTS					
TURNOVER	<u>258,664</u>	<u>314,296</u>	<u>367,397</u>	<u>332,997</u>	<u>543,460</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	(52,934)	3,742	(43,981)	108,667	20,856
Share of profits less losses of:					
Jointly-controlled entities	14,014	14,830	(2,812)	(1,193)	(290)
Associates	<u>2,159</u>	<u>(1)</u>	<u>1</u>	<u>(165)</u>	<u>(491)</u>
PROFIT/(LOSS) BEFORE TAX	(36,761)	18,571	(46,792)	107,309	20,075
Tax	<u>(3,075)</u>	<u>(531)</u>	<u>515</u>	<u>(1,405)</u>	<u>(1,079)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	(39,836)	18,040	(46,277)	105,904	18,996
Minority interests	<u>(5)</u>	<u>—</u>	<u>(3)</u>	<u>(104)</u>	<u>678</u>
NET PROFIT/(LOSS) FROM OPERATING ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	<u>(39,841)</u>	<u>18,040</u>	<u>(46,280)</u>	<u>105,800</u>	<u>19,674</u>
ASSETS AND LIABILITIES					
TOTAL ASSETS	425,884	327,292	314,473	306,343	367,783
TOTAL LIABILITIES	(169,131)	(138,329)	(143,550)	(88,472)	(243,097)
MINORITY INTERESTS	<u>(3,331)</u>	<u>(2,349)</u>	<u>(2,349)</u>	<u>(1,671)</u>	<u>(678)</u>
NET ASSETS	<u>253,422</u>	<u>186,614</u>	<u>168,574</u>	<u>216,200</u>	<u>124,008</u>

Schedule Of Major Owned Properties

31 December 2000

Description	Existing use	Lease
1. Unit A, 5th Floor and Units A & B, 7th Floor Tin Fung Industrial Mansion 63 Wong Chuk Hang Road Aberdeen Hong Kong	Office/warehouse	Long term
2. Yungwen Villa Zhuang Li Garden Changan, Dongguan People's Republic of China	Office/residential	Long term
3. 1213 Nanjing Road West Shanghai People's Republic of China	Office/residential	Long term
4. 1231 Zhongshan Road West Shanghai People's Republic of China	Residential	Long term
5. #PH6-1200 West Georgia Street Vancouver, British Columbia Canada	Residential	Freehold
6. No.3 Industrial Zone Rongwen Road Changan, Dongguan People's Republic of China	Factory	Short term