

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. During the year, the Group's principal activities consisted of the design, development, manufacture and sale of electronic products, the manufacture and sale of printed circuit boards, the trading and distribution of electronic components and parts, the trading of listed equity investments and the provision of loan financing.

The trading of listed equity investments and the provision of loan financing were new businesses entered into by the Group during the year.

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 remeasurement of fixed assets and short term 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 the subsidiaries acquired or disposed of during the year are accounted for from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances have been eliminated on consolidation.

Subsidiaries

A subsidiary is a company 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.

Associates

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of 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 investments 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 additional provisions for impairment in values deemed necessary by the directors.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill and capital reserve

Goodwill arising on consolidation of subsidiaries and on acquisition of associates represents the excess purchase consideration paid for such companies over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition.

Negative goodwill arising on consolidation of subsidiaries and on acquisition of associates represents the excess fair values ascribed to the net underlying assets acquired over the purchase consideration paid for such companies and is credited to a capital reserve in the year of acquisition.

Upon disposal of subsidiaries or associates, the relevant portion of attributable goodwill previously eliminated against or credited to reserves is realised and taken into account in determining the gain or loss on sale of the investments.

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 the 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 the fixed asset.

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:

Land held under medium term leases	Over the remaining lease terms
Buildings	4%
Leasehold improvements	10 - 20%
Plant and machinery	10 - 20%
Furniture, fixtures and office equipment	10 - 20%
Motor vehicles	20%

Changes in the values of fixed assets resulting from revaluations are dealt with, on an individual asset basis, as movements in the asset revaluation reserve. Deficits arising from revaluation, to the extent they cannot be offset against the revaluation surplus in respect of the same asset, are charged to the profit and loss account. Any subsequent revaluation surplus is credited to profit and loss account to the extent of the deficit previously charged.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation (Continued)

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset. On disposal or retirement, the attributable revaluation surplus not previously dealt with in retained profits is transferred directly to retained profits.

Construction in progress, which represents production facilities and buildings under construction, is stated at cost and is not depreciated. Cost comprises direct costs of construction and interest charges on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Deferred product development costs

Product development costs are written off as expenses when incurred, except those relating to specific products, the expenditure of which is separately identifiable and can be measured reliably, and for which the technical feasibility and commercial viability are reasonably assured. Such development costs are deferred and amortised, using the straight-line method, over the expected useful lives of the related products, not exceeding seven years, commencing from the date of commercial production thereof.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values at the balance sheet date on an individual investment basis. Fair values are determined by reference to quoted market prices net of any discount which is deemed necessary by the directors to reflect the potential impact of the disposal of such shares in the case of substantial shareholdings. The gains or losses arising from changes in the fair value of a security are credited to or charged to the profit and loss account for the period in which they arise.

Properties held for sale

Properties held for sale are stated at the lower of carrying amount and net realisable value.

Inventories

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



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories (Continued)

In prior years, the inventory cost was determined on a first-in, first-out basis. In the opinion of the directors, this change in accounting policy did not have a material impact on either the Group's inventories and retained profits as at 1 January 2000 or the Group's results for the year. Accordingly, no prior year adjustment is required.

Deferred tax

Deferred tax is provided, under 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.

Operating leases

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

Staff retirement scheme

Previously, the Group operated a defined contribution staff retirement scheme (the "Scheme") for certain of its employees, the assets of which were held separately from those of the Group in an independently administered fund. Contributions were made based on a percentage of the eligible employees' basic salaries and were charged to the profit and loss account as they became payable in accordance with the rules of the Scheme. When an employee left the Scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group could be reduced by the relevant amount of forfeited contributions.

On 1 December 2000, the Scheme was terminated with all of the underlying assets of the Scheme being transferred to a Mandatory Provident Fund ("MPF"). Contributions to the MPF are made based on rates applicable to the respective employees' relevant income from the Group and are charged to the profit and loss account as they become payable in accordance with government regulations. The Group's mandatory contributions are fully and immediately vested in favour of the employees.

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.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash equivalents

For the purpose of the consolidated cash flow statement, 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. For the purpose of balance sheet classification, cash and bank balances and time deposits represent assets which are not restricted as to use.

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) 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) interest, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (c) the sale of listed equity investments, on the trade day; and
- (d) the sale of property, when the legally binding sales contract is signed.

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 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.



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

3. TURNOVER

Turnover represents the invoiced value of goods sold, net of returns and allowances, the proceeds from sales of listed equity investments and the interest income from the provision of loan financing. Revenue from the following activities has been included in turnover:

	2000 HK\$'000	1999 HK\$'000
Manufacture and sale of electronic products	455,973	399,529
Manufacture and sale of PCBs	137,454	107,569
Trading and distribution of electronic components and parts	47,164	94,511
Trading of listed equity investments	9,690	–
Provision of loan financing	9,526	–
	659,807	601,609

An analysis of the Group's turnover by geographical area of operations, disclosed pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), is as follows:

	2000 HK\$'000	1999 HK\$'000
Europe	54,080	51,895
North America	177,360	138,145
The People's Republic of China, including Hong Kong	285,338	279,975
Japan	115,557	108,850
Others	27,472	22,744
	659,807	601,609

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NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

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3. TURNOVER (Continued)

An analysis of the contribution to profit/(loss) after finance costs by principal activity, disclosed pursuant to the Listing Rules, is as follows:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Manufacture and sale of electronic products	49,034	15,246
Manufacture and sale of PCBs	(6,565)	(40,376)
Trading and distribution of electronic components and parts	1,590	(9,475)
Trading of listed equity investments	(34,124)	–
Provision of loan financing	(4,937)	–
	4,998	(34,605)
<i>Add: Gain on disposal of partial interest in subsidiaries</i>	33,409	–
<i>Less: Finance costs</i>	(1,464)	(4,047)
Profit/(loss) after finance costs	36,943	(38,652)

The contribution to profit/(loss) after finance costs by geographical segment is substantially in line with the overall rate of contribution to turnover and, accordingly, an analysis of profit/(loss) after finance costs by geographical segment is not presented.



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2000 HK\$'000	1999 HK\$'000
Cost of inventories sold	520,534	491,792
Depreciation	17,614	20,215
Amortisation of prepaid rental	736	737
Amortisation and write-off of deferred product development costs	1,342	5,374
Amortisation of deferred pre-operating expenses	-	3,363
Operating lease rentals:		
Land and buildings	2,249	1,878
Office equipment	718	460
Staff costs (including directors' remuneration - note 6):		
Wages and salaries	55,424	60,605
Bonuses	6,300	4,160
Pension contributions	1,271	1,606
Less: Forfeited contributions	(153)	(207)
	62,842	66,164
Auditors' remuneration	1,130	1,300
Provisions for doubtful accounts receivable	128	300
Provision against amount due from an associate	-	1,619
Provisions against inventories	8,049	17,277
Provisions against loans receivable	12,500	-
Loss on disposals of fixed assets	379	14,093
Exchange losses, net	550	1,574
Interest income on bank deposits	(6,053)	(1,866)
Net gain on disposals of listed equity investments	(914)	-
Gain on disposal of associates	(10)	-

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The cost of inventories sold includes HK\$47,531,000 (1999: HK\$57,068,000) relating to direct staff costs, amortisation of prepaid rental, amortisation and write-off of deferred product development costs, provisions against inventories and depreciation of the manufacturing activities, which are also included in the respective total amounts disclosed above for each of these types of expenses.

The effect of forfeited contributions on the Group's contributions to the pension scheme for the year and the amount of forfeited contributions available to reduce contributions in future years were not material (1999: Nil).



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

5. FINANCE COSTS

	2000 HK\$'000	1999 HK\$'000
Interest on bank borrowings	1,464	4,047

6. DIRECTORS' REMUNERATION

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

	2000 HK\$'000	1999 HK\$'000
Directors' fees:		
Executive	–	–
Independent non-executive	318	360
Other emoluments:		
Executive:		
Salaries and other benefits	8,275	8,583
Bonuses	6,300	4,160
Pension contributions	274	383
Independent non-executive:		
Salaries and other benefits	–	–
	15,167	13,486

The remuneration of the directors fell within the following bands:

	Number of directors	
	2000	1999
Nil – HK\$1,000,000	8	2
HK\$1,000,001 – HK\$1,500,000	2	–
HK\$1,500,001 – HK\$2,000,000	–	2
HK\$2,000,001 – HK\$2,500,000	–	2
HK\$3,000,001 – HK\$3,500,000	–	1
HK\$5,500,001 – HK\$6,000,000	2	–
	12	7

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (1999: Nil).



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6. DIRECTORS' REMUNERATION (Continued)

In addition to the above, options to acquire an aggregate of 30,500,000 (1999: Nil) shares were granted to certain directors during the year. Under the terms of the grant, the options granted on the shares of the Company are not transferable and, in the absence of a readily available market value for the options on the shares of the Company, the directors are unable to arrive at an accurate assessment of the value of the options granted to the respective directors during the year. Accordingly, no value is included in directors' remuneration in respect of the share options granted.

In the prior year, the Group disposed of a motor vehicle with a net book value of HK\$523,000 to a director for a consideration of HK\$146,000.

7. FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	3,120	–
Pension scheme contributions	134	–
	3,254	–

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

	Number of employees	
	2000	1999
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$1,500,001 – HK\$2,000,000	1	–
	2	–



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

8. TAX

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the year.

	2000 HK\$'000	1999 HK\$'000
Group:		
The People's Republic of China (the "PRC"):		
Hong Kong:		
Current year provision	4,746	5,400
Overprovision in prior year	(202)	(38)
Tax refund in respect of prior year	-	(31)
Deferred (note 23)	833	600
Mainland China	47	304
	5,424	6,235
Associates	-	30
Tax charge for the year	5,424	6,265

In accordance with the applicable enterprise income tax law of the PRC, the Group's subsidiaries registered in Mainland China, Dongguan Yifu Circuit Board Factory ("Yifu") and Gaojin Electronics (Shenzhen) Co., Ltd. ("Gaojin"), are exempt from income tax for their first two profitable years of operations and are entitled to 50% relief on the income tax that would otherwise be charged for the succeeding three years.

The foregoing tax concession for Yifu has already expired. Pursuant to a further tax concession granted in the prior year, the income tax rate applicable to Yifu was reduced from the standard rate of 24% to 15% for two years from 1999 to 2000. Gaojin has yet to achieve profitable operations and so its income tax exemption holiday has not yet commenced.

9. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The net profit attributable to shareholders dealt with in the financial statements of the Company is HK\$1,886,000 (1999: net loss of HK\$38,426,000).



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the year of HK\$32,495,000 (1999: net loss of HK\$44,898,000) and the weighted average of 694,179,635 (1999: 439,228,815) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year is based on the net profit attributable to shareholders for the year of HK\$32,495,000 and the weighted average of 695,006,258 ordinary shares in issue during the year. There were no dilutive potential ordinary shares in issue during the year ended 31 December 1999, and accordingly, the diluted loss per share is not shown.

A reconciliation of the weighted average number of shares used in the basic earnings per share calculation for the year ended 31 December 2000 to that used in the diluted earnings per share calculation is as follows:

Weighted average number of shares used in the basic earnings per share calculation	694,179,635
Weighted average number of shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year	826,623
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Weighted average number of shares used in the diluted earnings per share calculation	695,006,258
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NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

11. FIXED ASSETS

Group	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construct- ion in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:							
At beginning of year	33,000	24,118	103,224	13,345	3,910	-	177,597
Additions	-	4,010	7,834	4,485	311	3,555	20,195
Disposals	-	(2,715)	(278)	(994)	(991)	-	(4,978)
Exchange adjustments	-	352	723	44	-	-	1,119
At 31 December 2000	33,000	25,765	111,503	16,880	3,230	3,555	193,933
Accumulated depreciation:							
At beginning of year	-	4,935	30,516	6,864	2,806	-	45,121
Provided during the year	848	3,234	10,616	2,336	580	-	17,614
Disposals	-	(2,214)	(256)	(720)	(855)	-	(4,045)
Write-back on revaluation	(848)	-	-	-	-	-	(848)
Exchange adjustments	-	44	230	17	-	-	291
At 31 December 2000	-	5,999	41,106	8,497	2,531	-	58,133
Net book value:							
At 31 December 2000	33,000	19,766	70,397	8,383	699	3,555	135,800
At 31 December 1999	33,000	19,183	72,708	6,481	1,104	-	132,476



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

11. FIXED ASSETS (Continued)

Company	Furniture and fixtures HK\$'000
Cost:	
At beginning of year	28
Additions	69
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At 31 December 2000	97
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Accumulated depreciation:	
At beginning of year	3
Provided during the year	11
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At 31 December 2000	14
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Net book value:	
At 31 December 2000	83
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At 31 December 1999	25
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The analysis of the Group's leasehold land and buildings at 31 December 2000 is as follows:

	At valuation HK\$'000
Medium term leasehold land and buildings situated in Mainland China	20,000
Medium term leasehold land and buildings situated in Hong Kong	13,000
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	33,000
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The leasehold land and buildings have been valued on an open market value basis, based on their existing use by B.I. Appraisals Limited, an independent firm of professional valuers, on 31 December 2000 at HK\$33,000,000. The revaluation surplus of HK\$848,000 was credited to the profit and loss account.

Had the Group's land and buildings stated at valuation been carried at cost less accumulated depreciation, they would have been included in the financial statements at approximately HK\$44,176,000 (1999: HK\$45,285,000).



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

11. FIXED ASSETS (Continued)

Certain of the Group's leasehold land and buildings were pledged to secure banking facilities granted to the Group (note 21). The net book values of the pledged assets included in the total amount of fixed assets at 31 December 2000 amounted to HK\$13,000,000 (1999: HK\$13,000,000).

12. PREPAID RENTAL

	2000	Group
	HK\$'000	1999
		HK\$'000
Cost:		
At beginning and end of the year	10,500	10,500
Amortisation:		
At beginning of the year	4,176	3,439
Provided during the year	736	737
At end of the year	4,912	4,176
Net book value:		
At end of the year	5,588	6,324

The prepaid rental represents the capital contribution made by the joint venture partner of Dongguan Yifu Circuit Board Factory, a subsidiary of the Group, in the form of a right to use the property owned by the joint venture partner within the terms of the joint venture.

The prepaid rental is amortised on a straight-line basis over the underlying initial term of the joint venture of 15 years.



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

13. DEFERRED PRODUCT DEVELOPMENT COSTS

	Group	
	2000 HK\$'000	1999 HK\$'000
Cost:		
At beginning of the year	8,149	10,341
Additions	1,789	3,229
Write-off during the year	(652)	(5,421)
At end of the year	9,286	8,149
Amortisation:		
At beginning of the year	4,465	4,512
Provided during the year	846	1,561
Write-off during the year	(156)	(1,608)
At end of the year	5,155	4,465
Net book value:		
At end of the year	4,131	3,684

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14. INTERESTS IN SUBSIDIARIES

	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	93,316	93,316
Due from subsidiaries	193,669	140,967
Due to subsidiaries	(10,982)	(1,238)
	276,003	233,045
Provision	(38,628)	(38,628)
	237,375	194,417

The balances with the subsidiaries are unsecured, interest-free and have no fixed terms of repayment.



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

14. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			2000	1999	
Account Centre Limited	Hong Kong	HK\$2	100%	100%	Provision of management services
Active Base Limited	Hong Kong	HK\$2	100%	–	Provision of loan financing
Asiacorp Group Co., Ltd.	The British Virgin Islands/ Hong Kong	US\$1	100%	–	Securities investment
Central Technology Limited	Hong Kong	HK\$100	100%	100%	Trading of electronic components and parts
Connion Limited	Hong Kong	HK\$2	100%	–	Securities investment and property holding
E-Top PCB Limited	Hong Kong	HK\$100	55%	100%	Trading and sale of printed circuit boards
Eastec Property Holding Limited	Hong Kong	HK\$100	100%	100%	Dormant
Eastec Purchasing Limited	The British Virgin Islands/ Japan	US\$1	100%	100%	Trading of electronic components and parts



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

14. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			2000	1999	
Eastec Technology (China) Limited	The British Virgin Islands/ The PRC	US\$1	100%	100%	Trading of electronic components and parts
Eastec Technology Limited	Hong Kong	HK\$2	100%	100%	Trading of electronic components and parts
Electronics Tomorrow Holdings Corporation	The British Virgin Islands	US\$100	100%	100%	Investment holding
Electronics Tomorrow International Limited	The British Virgin Islands	US\$600	100%	100%	Investment holding
Electronics Tomorrow Limited	Hong Kong	HK\$500,000	100%	100%	Manufacture and sale of electronic products
Electronics Tomorrow Manufactory Inc.	The British Virgin Islands	US\$200	55%	100%	Investment holding
Electronics Tomorrow Property Holdings Limited	The British Virgin Islands	US\$100	100%	100%	Investment holding
Good Order International Inc.	The British Virgin Islands	US\$100	100%	100%	Investment holding
Ingersoll Incorporated	The British Virgin Islands	US\$100	100%	100%	Dormant



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

14. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			2000	1999	
Issegon Company Limited	Hong Kong	HK\$300,000	100%	100%	Property holding
Master Base Limited	The British Virgin Islands	US\$1	100%	–	Investment holding
Maxson Services Limited	Hong Kong	HK\$2	100%	–	Provision of management services
Maxwood Limited	Hong Kong	HK\$2	100%	–	Securities investment
Plentiful Light Ltd.	The British Virgin Islands/ The PRC	US\$100	55%	100%	Manufacture of printed circuit boards
Products Tomorrow Limited	Hong Kong	HK\$2	100%	100%	Development of new electronic products
Protech Holdings Limited	The British Virgin Islands	US\$100	100%	100%	Dormant
Team Force Corporation	The British Virgin Islands	US\$100	100%	100%	Investment holding
Dongguan Yifu Circuit Board Factory*	The PRC	HK\$64,160,000	46%	84%	Manufacture of printed circuit boards
Gaojin Electronics (Shenzhen) Co., Ltd.	The PRC	US\$2,000,000	100%	100%	Manufacture of electronic products



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

14. INTERESTS IN SUBSIDIARIES (Continued)

Other than Electronics Tomorrow International Limited and Master Base Limited, which are held directly by the Company, all subsidiaries are held indirectly by the Company.

- * Dongguan Yifu Circuit Board Factory is a subsidiary of a non wholly-owned subsidiary of the Company, and accordingly, is accounted for as a subsidiary by virtue of control over the entity.

15. INTERESTS IN ASSOCIATES

	2000 HK\$'000	Group 1999 HK\$'000
Share of net assets other than goodwill	–	42

In the prior year, the amount due from an associate of HK\$1,158,000 was unsecured, interest-free and had no fixed terms of repayment. The amount due to an associate was unsecured, interest-free and was repayable in accordance with normal trading terms.

Particulars of the former associates, all of which were disposed of during the year, are as follows:

Name	Business structure	Place of incorporation/ operations	Percentage of equity attributable to the Group	Principal activities
Golden Bright Plastic Manufacturing Company Limited	Corporate	Hong Kong	49%	Trading of plastic materials
Luxuriance Co., Limited	Corporate	The British Virgin Islands/ The PRC	49%	Manufacture and sale of plastic casings



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

16. ACCOUNTS RECEIVABLE

The aged analysis of the Group's accounts receivable is as follows:

	2000		1999	
	HK\$'000	Percentage	HK\$'000	Percentage
Current to three months	58,189	79	55,968	73
Four to six months	8,735	12	2,265	3
Seven months to one year	534	1	4,289	6
Over one year	6,093	8	14,182	18
	73,551	100	76,704	100
Provision	(9,242)		(18,394)	
Total after provision	64,309		58,310	

The normal credit period granted by the Group to customers ranges from 21 days to 90 days.

17. LOANS RECEIVABLE

The loans receivable are secured, bear interest ranging from 18% to 42% per annum and are repayable within one year.

18. SHORT TERM INVESTMENTS

	Group	
	2000 HK\$'000	1999 HK\$'000
Hong Kong listed equity investments		
At fair value	35,500	–
At market value	56,928	–

The above investments include an investment in 162,250,000 ordinary shares of Cedar Base Electronic (Group) Limited ("Cedar Base"), a company incorporated in the Cayman Islands and listed on The Stock Exchange of Hong Kong Limited.

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK\$29,612,000.



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

19. PROPERTIES HELD FOR SALE

	Group	
	2000 HK\$'000	1999 HK\$'000
At beginning of year	22,000	–
Additions	19,802	–
Transfer from leasehold land and buildings	–	22,000
Disposal	(22,000)	–
At end of year	19,802	22,000

All properties held for sale are situated in Hong Kong and are held under medium term lease.

20. INVENTORIES

	Group	
	2000 HK\$'000	1999 HK\$'000
Raw materials	52,109	48,897
Work in progress	14,906	11,370
Finished goods	14,468	15,321
Total	81,483	75,588

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21. BANK BORROWINGS

All bank borrowings are secured and are repayable within one year.

An analysis of the bank borrowings is as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Trust receipt loans	6,105	16,934
Mortgage loan	–	13,247
Total	6,105	30,181

Certain leasehold land and buildings were pledged to secure banking facilities granted to the Group (note 11).



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

22. ACCOUNTS PAYABLE

The aged analysis of the Group's accounts payable is as follows:

	2000 HK\$'000	1999 HK\$'000
Current to three months	97,756	126,128
Four to six months	854	1,513
Seven months to one year	365	328
Over one year	90	100
	99,065	128,069

Accounts payable aged less than four months accounted for 98.7% (1999: 98.5%) of the total accounts payable.

23. DEFERRED TAX

	Group	
	2000 HK\$'000	1999 HK\$'000
At beginning of year	600	–
Charge for the year (note 8)	833	600
At end of year	1,433	600

The principal components of the Group's deferred tax liabilities/(assets) are as follows:

	2000 HK\$'000	1999 HK\$'000
Accelerated depreciation allowances	1,544	600
Tax losses	(111)	–
	1,433	600

There was no significant unprovided deferred tax in respect of the year (1999: Nil).

The revaluation surplus arising on the revaluation of the Group's leasehold land and buildings does not constitute a timing difference and consequently, the amount of potential deferred tax thereon has not been quantified.



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

24. SHARE CAPITAL

	2000 HK\$'000	1999 HK\$'000
<i>Authorised:</i>		
5,000,000,000 (1999: 800,000,000) ordinary shares of HK\$0.10 each	500,000	80,000
<i>Issued and fully paid:</i>		
825,228,815 (1999: 439,228,815) ordinary shares of HK\$0.10 each	82,523	43,923

There was no repurchase of any shares during the year.

During the year, the following changes in the Company's share capital took place:

- (a) Pursuant to an ordinary resolution passed on 12 June 2000, the authorised share capital of the Company was increased from HK\$80,000,000 to HK\$500,000,000 by the creation of 4,200,000,000 additional shares of HK\$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.
- (b) Pursuant to a placing agreement between the Company and Pacific Challenge Capital Limited ("Pacific Challenge") on 14 January 2000, a total of 80,000,000 shares of HK\$0.10 each were issued to independent investors at a price of HK\$0.306 per share on 26 January 2000. This placement raised net proceeds of approximately HK\$23,914,000 for the Company in cash for general working capital purposes. The placing price of HK\$0.306 per share represented a discount of approximately 42.3% to the closing price of HK\$0.53 per share as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 January 2000.
- (c) Pursuant to a placing agreement between the Company and Pacific Challenge on 11 February 2000, a total of 102,000,000 shares of HK\$0.10 each were issued to independent investors at a price of HK\$0.48 per share on 15 March 2000. This placement raised net proceeds of approximately HK\$47,897,000 for the Company in cash for general working capital purposes. The placing price of HK\$0.48 per share represented a discount of approximately 41.5% to the closing price of HK\$0.82 per share as quoted on the Stock Exchange on 11 February 2000.



(Continued)

24. SHARE CAPITAL (Continued)

- (d) Pursuant to a placing agreement between the Company and Pacific Challenge on 28 March 2000, a total of 124,000,000 shares of HK\$0.10 each were issued to independent investors at a price of HK\$0.485 per share on 14 April 2000. This placement raised net proceeds of approximately HK\$58,882,000 for the Company in cash for future investments and general working capital purposes. The placing price of HK\$0.485 per share represented a discount of approximately 21.8% to the closing price of HK\$0.62 per share as quoted on the Stock Exchange on 28 March 2000.
- (e) Pursuant to a placing agreement between the Company and MasterLink Securities (Hong Kong) Corporation Limited on 27 October 2000, a total of 80,000,000 shares of HK\$0.10 each were issued to independent investors at a price of HK\$0.24 per share on 15 November 2000. This placement raised net proceeds of approximately HK\$18,753,000 for the Company in cash for general working capital purposes. The placing price of HK\$0.24 per share represented a discount of approximately 3.2% to the closing price of HK\$0.248 per share as quoted on the Stock Exchange on 27 October 2000.

Share options

Pursuant to a share option scheme approved by the shareholders on 21 July 1995, the directors may, at their discretion, grant options to any employees of the Group, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company. The maximum number of shares which may be granted under the scheme shall not exceed 10% of the nominal amount of the issued share capital of the Company. The subscription price of an option granted under the scheme is the higher of the amount which the directors may, at their discretion, determine and an amount which is not less than 80% of the average of the closing price of the Company's shares on the Stock Exchange, for the five business days immediately preceding the date on which an option is granted or the nominal value of the shares.

During the year, the Company granted the following share options:

- (a) On 11 February 2000, 7,900,000 share options were granted to a director to subscribe for a total of 7,900,000 shares in the Company at an exercise price of HK\$0.68 per share. These share options are exercisable within three years from 11 August 2000.
- (b) On 20 March 2000, a total of 10,200,000 share options were granted to two directors to subscribe for a total of 10,200,000 shares in the Company at an exercise price of HK\$0.488 per share. These share options are exercisable within three years from 20 September 2000.
- (c) On 2 May 2000, a total of 12,400,000 share options were granted to three directors to subscribe for a total of 12,400,000 shares in the Company at an exercise price of HK\$0.27 per share. These share options are exercisable within three years from 2 November 2000.



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

24. SHARE CAPITAL (Continued)

Share options (Continued)

None of the above 30,500,000 share options was exercised during the year. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 30,500,000 additional ordinary shares of HK\$0.10 each and cash proceeds, before issue expenses, of approximately HK\$13.7 million.

25. RESERVES

Group

	Share premium HK\$'000	Exchange fluctua- tion reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Property revalua- tion reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 1999	78,340	(7)	801	77	765	115,979	195,955
Arising from revaluation of land and building	-	-	-	-	(765)	-	(765)
Loss for the year	-	-	-	-	-	(44,898)	(44,898)
At 31 December 1999 and at beginning of year	78,340	(7)	801	77	-	71,081	150,292
Issue of shares	114,180	-	-	-	-	-	114,180
Share issue expenses	(3,334)	-	-	-	-	-	(3,334)
Exchange adjustments on translation of foreign subsidiaries	-	1,146	-	-	-	-	1,146
Exchange fluctuation reserve shared by minority interests	-	(226)	-	-	-	-	(226)
Profit for the year	-	-	-	-	-	32,495	32,495
At 31 December 2000	189,186	913	801	77	-	103,576	294,553
Reserves retained by: Company and subsidiaries	189,186	913	801	77	-	103,576	294,553



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

25. RESERVES (Continued)

Company

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 1999	78,340	77	84,917	25,384	188,718
Loss for the year	-	-	-	(38,426)	(38,426)
At 31 December 1999 and at beginning of year	78,340	77	84,917	(13,042)	150,292
Issue of shares	114,180	-	-	-	114,180
Share issue expenses	(3,334)	-	-	-	(3,334)
Profit for the year	-	-	-	1,886	1,886
At 31 December 2000	189,186	77	84,917	(11,156)	263,024

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation at the time of the listing of the Company's shares, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is distributable to shareholders in certain circumstances.



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2000 HK\$'000	1999 HK\$'000
Profit/(loss) from operating activities	38,407	(34,605)
Deficit/(surplus) on revaluation of leasehold land and buildings	(848)	22,937
Gain on disposal of partial interest in subsidiaries	(33,409)	–
Interest income on bank deposits	(6,053)	(1,866)
Depreciation	17,614	20,215
Amortisation of prepaid rental	736	737
Amortisation and write-off of deferred product development costs	1,342	5,374
Amortisation of deferred pre-operating expenses	–	3,363
Provisions for doubtful accounts receivable	128	300
Provision against amount due from an associate	–	1,619
Provisions against inventories	8,049	17,277
Provisions against loans receivable	12,500	–
Loss on disposals of fixed assets	379	14,093
Net unrealised holding losses on short term investments	32,170	–
Gain on disposal of associates	(10)	–
Additions to deferred product development costs	(1,789)	(3,229)
Decrease/(increase) in amount due from an associate	10	(15)
Increase/(decrease) in amount due to an associate	(4,026)	1,604
Decrease/(increase) in accounts receivable	(5,966)	2,315
Decrease/(increase) in bills receivable	327	(3,767)
Increase in loans receivable	(56,500)	–
Increase in interest receivable on loans	(1,572)	–
Increase in prepayments, deposits and other receivables	(6,198)	(1,045)
Increase in short term investments	(7,170)	–
Increase in inventories	(13,944)	(17,945)
Increase/(decrease) in accounts payable	(29,072)	48,697
Increase in bills payable	1,049	–
Increase in accrued liabilities and other payables	5,189	7,214
Net cash inflow/(outflow) from operating activities	(48,657)	83,273



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Share capital (including premium) HK\$'000	Mortgage loan HK\$'000	Minority interests HK\$'000
At 1 January 1999	122,263	16,944	8,806
Cash outflows from financing	–	(3,697)	–
Share of profit for the year	–	–	30
<hr/>			
At 31 December 1999 and at beginning of year	122,263	13,247	8,836
Net cash inflow/(outflow) from financing	149,446	(13,247)	–
Disposal of partial interest in subsidiaries (note c(i))	–	–	34,091
Share of loss for the year	–	–	(976)
Share of exchange fluctuation reserve	–	–	226
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At 31 December 2000	271,709	–	42,177

(c) Major non-cash transactions

- (i) On 17 July 2000, the Group entered into a sale and purchase agreement (the "Agreement") with an independent third party, Limbrick Investment Limited ("Limbrick"), a wholly-owned subsidiary of Cedar Base. Pursuant to the Agreement, the Group disposed of a partial interest in certain subsidiaries to Limbrick for a consideration of HK\$67,500,000. This consideration was satisfied by the allotment and issue of 178,250,000 new Cedar Base shares at an issue price of HK\$0.3787 per share. The transaction was completed on 20 September 2000.
- (ii) On 31 October 2000, the Group entered into a sale and purchase agreement with an independent third party to purchase certain properties held for sale. Out of the total purchase costs of HK\$19,802,000, HK\$7,000,000 was settled by the transfer of 16,000,000 Cedar Base shares with a carrying amount of HK\$6,059,000 from the Group to the vendor, with the remaining of HK\$12,802,000 being settled in cash by the Group.



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

27. CONTINGENT LIABILITIES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Guarantees of banking facilities granted to subsidiaries	–	–	55,000	123,923
Guarantees of banking facilities granted to an associate	–	2,058	–	2,058

28. COMMITMENTS

	Group	
	2000 HK\$'000	1999 HK\$'000
Capital commitments:		
Contracted for	2,268	491
Authorised, but not contracted for	239	504
	2,507	995
Annual commitments under non-cancellable operating leases:		
Land and buildings expiring:		
Within one year	411	273
In the second to fifth years, inclusive	3,300	1,861
After five years	2,085	–
	5,796	2,134
Office equipment expiring:		
Within one year	268	–
In the second to fifth years, inclusive	56	733
	324	733
	6,120	2,867
Commitments to contribute to a subsidiary registered in the PRC	7,785	–

The Company had no other significant commitments at the balance sheet date (1999: Nil).



(Continued)

29. CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group has the following connected and related party transactions:

- (i) During the year, the Group purchased finished goods amounting to HK\$5,659,000 (1999: HK\$22,790,000) from an associate, Golden Bright Manufacturing Company Limited ("Golden Bright"), in which Mr. Yau Tak Wah, Paul and Mr. Tam Ping Wah, directors of the Company, were interested as common directors. The purchases of these finished goods were made according to the cost incurred by Golden Bright plus a 5% (1999: 5%) mark-up.
- (ii) On 16 October 2000, a loan of HK\$4,000,000 (1999: Nil) was granted by a wholly-owned subsidiary of the Group to E-Top PCB Limited ("E-Top"), a 55% owned subsidiary of the Group, for its general working capital. The loan, which was outstanding as at 31 December 2000, was unsecured, bore interest at the one-month Hong Kong dollar time deposit rate and had no fixed terms of repayment.
- (iii) In addition, the Group had certain banking facilities, with a total limit of HK\$55 million, which were jointly used by E-Top and certain wholly-owned subsidiaries of the Group. These banking facilities were secured by corporate guarantees executed by the Group companies using these facilities and certain leasehold land and buildings of the Group (notes 11 and 21).
- (iv) In the prior year, the Group disposed of a motor vehicle with a net book value of HK\$523,000 to a director for a consideration of HK\$146,000.
- (v) In the prior year, the Company executed a guarantee in respect of banking facilities granted to Golden Bright to the extent of HK\$2,058,000. These banking facilities were also secured by an unlimited guarantee executed by the major shareholder of Golden Bright.

Items (i), (iv) and (v) are both connected and related party transactions. Items (ii) and (iii) are connected party transactions.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 20 April 2001.

