

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)
	13,363	10,377

Notes To Financial Statements

31 December 2000

5. FINANCE COSTS

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>7,411</u>	<u>6,237</u>
Total finance costs	<u>7,411</u>	<u>6,237</u>

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

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	—
	<u>1</u>	<u>—</u>
	<u>1</u>	<u>—</u>

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

31 December 2000

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)
At 31 December 2000	<u>840</u>	<u>417</u>	<u>—</u>	<u>1,257</u>
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)
At 31 December 2000	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
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	1999
	HK\$'000	<i>HK\$'000</i>
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

31 December 2000

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

31 December 2000

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
	<u>98,384</u>	<u>28,500</u>	<u>61,456</u>	<u>7,847</u>

22. TRADE AND BILLS PAYABLES

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

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
	<u>76,895</u>	<u>72,954</u>

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	1999
	<i>HK\$'000</i>	<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	<u>(47,182)</u>	<u>47,656</u>

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
	<hr/>
	543,311
	<hr/> <hr/>
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	HK\$'000
Guarantees given to banks in connection with facilities granted to :		
Subsidiaries	47,500	47,500
Jointly-controlled entities	—	23,000
	47,500	70,500
Extent of the guaranteed facilities utilised by:		
Subsidiaries	30,876	22,741
Jointly-controlled entities	—	17,681
	30,876	40,422

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	HK\$'000
Capital commitments:		
Contracted, but not provided for	780	782

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").

		Group	
	Notes	2000	1999
		HK\$'000	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.