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:

- provision of software solutions and e-Commerce services
- design, manufacture and distribution of electronic products
- design, manufacture and distribution of electronic components
- provision of management services

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations — subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill — continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(continued)*

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs and Interpretations which have had a significant effect on the financial statements, are summarised as follows:

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of this SSAP. This revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 29 and 35 to these financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to these financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. This SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of this SSAP and Interpretation 13 has resulted in a prior year adjustment, further details of which are included in notes 16 and 32 to these financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairment of assets. This SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong SSAP, 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2001. The results of subsidiaries established, acquired or disposed of during the year are consolidated from or to their effective dates of establishment, acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies are under the Company's control, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint venture companies *(continued)*

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Associates

An associate is a company, not being a subsidiary, 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 impairment losses. Goodwill arising from the acquisition of associates, which was not previously eliminated against reserves, is included as part of the Group's interests in associates.

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 treated as long term assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisitions is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

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.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. 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 and any impairment losses. 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. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a 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 reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life after taking into account its estimated residual value. 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	5% - 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 net 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, which is stated at cost less any impairment losses, and is not depreciated. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

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.

Deferred development costs are stated at cost less any impairment losses and 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 impaired.

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. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Long term investments

Long term investments are non-trading investments in debentures intended to be held on a long term basis. Long term investments are stated at cost less impairment losses deemed necessary by the directors.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average or standard costing 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 estimated selling prices less any estimated costs to be incurred to completion and disposal.

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 equivalents represent assets similar in nature to cash, cash and bank balances represent assets which are not restricted as to use.

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.

3. 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) rental income, on a time proportion basis over the lease terms; and

(d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

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 and associates 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 "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the scheme. The MPF Scheme has operated since 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 MPF Scheme. The assets of the MPF 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 MPF Scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefits scheme *(continued)*

Prior to the MPF Scheme becoming effective, the Group operated a defined contribution retirement benefits scheme (the "Prior Scheme") for those employees who were eligible to participate in this scheme. This Prior Scheme operated in a similar way to the MPF Scheme, except that when an employee left the Prior Scheme before his/her interest in the Group's employer contributions vested fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited employer's contributions. With effect from 1 December 2000, the Prior Scheme was terminated.

Employees of the Group's subsidiaries which operate in the People's Republic of China (the "PRC") are required to participate in a central pension scheme operated by the local municipal government. The assets of the schemes are held separately from those of the Group in an independent administered fund. Contributions are made based on a percentage of the participating employees' salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to these financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the provision of software solutions and e-Commerce services segment is the development of security and geographical information softwares and the provision of system and integrated solutions and services to financial institutions, enterprises and government departments in the PRC which are in the process of computerisation;

(b) the electronic products segment manufactures weighing scales and lighting products; and

(c) the electronic components segment manufactures semi-conductor products.

As further explained in notes 6 and 37 to these financial statements, the Group entered into a conditional Disposal Agreement ("DA") to dispose of this segment to Ricwinco Investment Limited ("Ricwinco").

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

No intersegment sales and transfers were transacted during the year (2000: Nil).

4. SEGMENT INFORMATION *(continued)*

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group	Provision of software solutions and e-Commerce services		Electronic products		Electronic components		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**73,681**	10,072	**169,762**	119,366	**88,012**	129,226	**331,455**	258,664
Segment results	**(35,046)**	(21,265)	**4,735**	(3,653)	**(23,392)**	(9,838)	**(53,703)**	(34,756)
Interest and other income							**4,761**	5,289
Unallocated expenses							**(15,614)**	(16,056)
Impairment of goodwill							**—**	(452,259)
Loss from operating activities							**(64,556)**	(497,782)
Finance costs							**(9,069)**	(7,411)
Share of profits and losses of:								
Jointly-controlled entities	**—**	—	**—**	14,014	**—**	—	**—**	14,014
Associates	**—**	—	**—**	—	**7**	—	**4,346**	2,159
Loss before tax							**(69,279)**	(489,020)
Tax							**(1,432)**	(3,075)
Loss before minority interests							**(70,711)**	(492,095)
Minority interests							**1,670**	(5)
Net loss from ordinary activities attributable to shareholders							**(69,041)**	(492,100)

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group	Provision of software solutions and e-Commerce services		Electronic products		Electronic components		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**101,103**	32,493	**113,346**	105,094	**111,660**	137,750	**326,109**	275,337
Interests in associates	**—**	—	**—**	—	**3,348**	—	**22,527**	32,318
Unallocated assets	**—**	—	**—**	—	**—**	—	**27,462**	118,229
Total assets							**376,098**	425,884
Segment liabilities	**7,915**	17,951	**38,226**	25,479	**54,385**	56,892	**100,526**	100,322
Unallocated liabilities	**—**	—	**—**	—	**—**	—	**88,863**	68,809
Total liabilities							**189,389**	169,131
Other segment information:								
Depreciation, amortisation and write-off	**462**	1,175	**6,655**	6,785	**7,422**	5,559	**17,288**	14,000
Impairment of fixed assets recognised in profit and loss account	**2,376**	—	**—**	—	**35,804**	—	**38,180**	—
Capital expenditure	**1,244**	4,347	**4,261**	6,319	**3,754**	2,578	**12,836**	17,987

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following tables present revenue, profit/(loss) and certain asset and expenditure information for the Group's geographical segments.

Group	Hong Kong		Elsewhere in the PRC		Singapore		United States of America		United Kingdom		Others		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:														
Sales to external customers	**6,757**	48,272	**121,297**	51,667	**35,792**	44,107	**128,965**	87,291	**35,808**	26,437	**2,836**	890	**331,455**	258,664
Segment results	**(1,125)**	(3,914)	**(46,885)**	(23,976)	**(9,433)**	(3,358)	**3,440**	(2,666)	**999**	(808)	**(699)**	(34)	**(53,703)**	(34,756)
Other segment information:														
Segment assets	**97,527**	131,109	**174,698**	174,915	**7,219**	14,576	**23,323**	13,802	**8,024**	2,728	**65,307**	88,754	**376,098**	425,884
Capital expenditure	**1,378**	4,838	**8,504**	13,149	**18**	—	**—**	—	**—**	—	**2,936**	—	**12,836**	17,987

5. TURNOVER, OTHER REVENUE AND GAINS

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

An analysis of turnover, other revenue and gains is as follows:

	2001	2000
	HK$'000	*HK$'000*
Turnover		
Provision of software solutions and e-Commerce services	**73,681**	10,072
Sales of electronic products	**169,762**	119,366
Sales of electronic components	**88,012**	129,226
	331,455	258,664
Other Revenue		
Rental income	**421**	421
Interest income	**3,576**	3,218
Other	**764**	1,650
	4,761	5,289
Gains		
Profit guarantees *(Note)*	**40,746**	1,446
	45,507	6,735

Note:

Pursuant to the Management Agreement ("MA") as further disclosed in note 38 to these financial statements, Ricwinco agreed to pay a guaranteed amount of approximately HK$40,746,000 to the Group for the year ended 31 December 2001 during which the profit guarantee is effective. The Group recognised the profit guarantee amount of approximately HK$40,746,000 payable by Ricwinco in the accounts as at 31 December 2001.

6. DISCONTINUING OPERATIONS

On 4 April 2002, the Company entered into a conditional DA to dispose of a group of subsidiaries representing its electronic components segment, in view of the strategic plan to concentrate businesses in the Group's core activities. Further details are set out in note 37 to these financial statements. The principal activity of the group of subsidiaries being disposed of is the design, manufacture and distribution of electronic components. The business being disposed of will be accounted for until the completion date of its disposal, at which time the assets and liabilities of the business will be deconsolidated and used to calculate the loss on disposal of discontinued operations.

In view of the decision to dispose of the electronic components segment, a provision for impairment of approximately HK$36 million was made against its fixed assets based on an appraisal of their estimated net realisable values performed as at the balance sheet date by an independent professional firm of appraisers.

7. LOSS FROM OPERATING ACTIVITIES

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

	Group	
	2001	2000
	HK$'000	*HK$'000*
Depreciation	**13,424**	13,363
Impairment of goodwill	**—**	452,259
Impairment of fixed assets — note 6	**38,180**	—
Loss on disposal of an associate	**1,115**	—
Provision for doubtful debts	**1,158**	5,231
Amortisation and write-off of deferred development costs*	**3,864**	637
Minimum lease payments under operating leases:		
Land and buildings	**7,172**	4,687
Plant and machinery	**155**	311
	7,327	4,998
Auditors' remuneration	**1,080**	914
Staff costs (including directors' remuneration — *note 9*)		
Wages and salaries	**81,563**	58,719
Pension contributions	**890**	428
Less: Forfeited contributions	**(189)**	(119)
Net pension contributions **	**701**	309
	82,264	59,028
Loss on disposal of fixed assets	**22**	200
Foreign exchange losses/(gains), net	**(114)**	723
Gain on disposal of short term investments	**—**	(737)

* The amortisation and write-off of deferred development costs for the year are included in "Cost of sales" on the face of the consolidated profit and loss account.

** At 31 December 2001, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

8. FINANCE COSTS

	Group	
	2001	2000
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**7,091**	4,846
Interest on other loans wholly repayable within five years	**1,581**	1,406
Interest on finance leases	**397**	1,159
Total interest	**9,069**	7,411

9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules of The Stock Exchange of Hong Kong Limited ("Listing Rules") and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Fees	**660**	—
Other emoluments:		
Salaries, bonuses and benefits in kind	**8,943**	8,745
Performance related bonuses	**5,944**	—
Pension scheme contributions	**17**	2
	15,564	8,747

Fees include HK$240,000 (2000: Nil) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2000: Nil).

9. DIRECTORS' REMUNERATION *(continued)*

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	2000
Nil - HK$1,000,000	**7**	11
HK$2,000,001 - HK$2,500,000	**—**	1
HK$4,500,001 - HK$5,000,000	**1**	—
HK$5,000,001 - HK$5,500,000	**—**	1
HK$9,000,001 - HK$9,500,000	**1**	—

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

During the year, 10,700,000 share options were granted to the directors in respect of their services to the Group, further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 26 to 29. No value in respect of the share options granted during the year has been charged to the profit and loss account.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2000: two) directors, details of whose remuneration are set out in note 9 above. The details of the remuneration of the remaining three (2000: three) non-director, highest-paid employees are as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Salaries, bonuses and benefits in kind	**3,520**	3,538
Pension scheme contributions	**24**	1
	3,544	3,539

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

	Number of employees	
	2001	2000
HK$1,000,001 - HK$1,500,000	**3**	3

During the year, 800,000 share options were granted to the two non-director, highest paid employees in respect of their services to the Group, further details of the share option scheme are included in the disclosures set out under the heading "Share option scheme" in the Report of the Directors on pages 26 to 29. No value in respect of the share options granted during the year has been charged to the profit and loss account.

11. 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.

	Group	
	2001	2000
	HK$'000	*HK$'000*
Share of tax attributable to:		
Jointly-controlled entities	**—**	2,359
Associates	**1,432**	716
Tax charge for the year	**1,432**	3,075

The amount of deferred tax not recognised is set out in note 30 to these financial statements.

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2001 dealt with in the financial statements of the Company is approximately HK$536,331,000 (2000: HK$352,000).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of approximately HK$69,041,000 (2000: HK$492,100,000), and the weighted average of approximately 820,562,000 (2000: 344,219,000) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 December 2001 and 2000 have not been disclosed as the share options outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

14. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Machinery, equipment and moulds HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost or valuation:							
At 1 January 2001	38,527	25,035	80,298	17,445	5,922	1,014	168,241
Additions	—	83	2,898	6,148	472	4,479	14,080
Transfer from construction in progress	—	673	4,144	260	—	(5,077)	—
Disposals	—	(377)	(24)	(1,389)	—	—	(1,790)
At 31 December 2001	38,527	25,414	87,316	22,464	6,394	416	180,531
Accumulated depreciation and impairment:							
At 1 January 2001	7,282	7,206	34,021	5,779	3,566	—	57,854
Provided during the year	1,407	2,681	5,923	2,630	783	—	13,424
Impairment during the year recognised in the profit and loss account	7,591	4,741	21,898	3,929	21	—	38,180
Disposals	—	(168)	(12)	(657)	—	—	(837)
At 31 December 2001	16,280	14,460	61,830	11,681	4,370	—	108,621
Net book value:							
At 31 December 2001	22,247	10,954	25,486	10,783	2,024	416	71,910
At 31 December 2000	31,245	17,829	46,277	11,666	2,356	1,014	110,387
Analysis of cost and valuation:							
At cost	20,527	25,414	87,316	22,464	6,394	416	162,531
At 1993 valuation	18,000	—	—	—	—	—	18,000
	38,527	25,414	87,316	22,464	6,394	416	180,531

14. FIXED ASSETS *(continued)*

Company

	Leasehold improvements *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Total *HK$'000*
Cost:			
At 1 January 2001	840	417	1,257
Additions	5	3,439	3,444
Disposals	—	(5)	(5)
At 31 December 2001	845	3,851	4,696
Accumulated depreciation and impairment:			
At 1 January 2001	—	—	—
Provided during the year	85	80	165
Impairment during the year recognised in the profit and loss account	—	2,376	2,376
At 31 December 2001	85	2,456	2,541
Net book value:			
At 31 December 2001	760	1,395	2,155
At 31 December 2000	840	417	1,257

The net book value of the Group's fixed assets held under finance leases included in the total amount of machinery, equipment and moulds at 31 December 2001 amounted to approximately HK$11,561,000 (2000: HK$26,359,000).

14. FIXED ASSETS *(continued)*

Certain of the Group's leasehold land and buildings with a net book value of approximately HK$15.4 million (2000: HK$15.8 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 80 of SSAP 17 "Property, plant and equipment".

Had these land and buildings been carried at cost less accumulated depreciation and impairment, they would have been included in the financial statements at approximately HK$12 million (2000: HK$12.3 million).

The leasehold land and buildings included five units of residential apartments with an aggregate net book value of approximately HK$1,155,000 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.

The net book value of fixed assets pledged to banks to secure certain of the Group's banking facilities as at 31 December 2001 amounted to approximately HK$4,156,000 (2000: approximately HK$6,969,000).

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

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

15. INTANGIBLE ASSETS

Group

	Deferred development costs	
	2001	2000
	HK$'000	*HK$'000*
Cost:		
At 1 January	**5,609**	3,925
Additions	**154**	1,908
Written off	**(3,177)**	(224)
At 31 December	**2,586**	5,609
Accumulated amortisation:		
At beginning of year	**629**	216
Amortisation during the year	**1,274**	413
Written off	**(587)**	—
At 31 December	**1,316**	629
Net book value at 31 December	**1,270**	4,980

16. GOODWILL

As detailed in note 2 to these financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to 1 January 2001 to remain eliminated against consolidated reserves.

Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against consolidated reserves for impairment. As a result, the Group has recognised an impairment of part of the goodwill previously eliminated against consolidated reserves, of approximately HK$452,259,000, during the year, as detailed in the table below. This change of accounting policy has been accounted for retrospectively as a prior year adjustment in accordance with the transitional provisions of SSAP 30. Because this goodwill remains eliminated against consolidated contributed surplus and consolidated retained profits (see note 32), this prior year adjustment has resulted in a decrease of approximately HK$452,259,000 in the amount of consolidated retained profits previously reported as at 31 December 2000. This prior year adjustment has had no effect on the results for the current year.

The amounts of the goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries prior to 1 January 2001, are as follows:

Group

	Goodwill eliminated against consolidated contributed surplus *HK$'000*	**Goodwill eliminated against consolidated retained profits** *HK$'000*
Cost:		
At 1 January 2001 and at 31 December 2001	520,156	17,103
Accumulated impairment:		
At beginning of year:		
As previously reported	—	—
Prior year adjustment	452,259	—
As restated	452,259	—
At 31 December 2001	452,259	—
Net amount:		
At 31 December 2000 and 2001	67,897	17,103

17. INTERESTS IN SUBSIDIARIES

	Company 2001 HK$'000	Company 2000 HK$'000
Unlisted shares, at cost	**621,581**	507,623
Due from subsidiaries	**221,549**	261,694
Due to subsidiaries	**(114)**	(9,539)
	843,016	759,778
Provision for impairment	**(587,902)**	(60,390)
	255,114	699,388

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for the balance due from a subsidiary of approximately HK$12,000,000 which bears interest at Hong Kong dollar prime rate per annum.

Particulars of the principal subsidiaries are as follows:

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

17. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Dongguan Chang Yeung Electronic Co., Ltd. ("Equity JV") (c)	PRC	HK$21,326,347	—	(c)	Manufacture and distribution of semi-conductors
Golden Future Profits Limited	British Virgin Islands/ Hong Kong	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.	PRC	US$2,500,000	—	100	Provision of software solutions and e-Commerce services
EC-Founder (Hong Kong) Limited	Hong Kong	HK$2	—	100	Provision of software solutions and e-Commerce services
Founder Data Corporation International Limited ("FDC")	British Virgin Islands	US$20,000	100	—	Investment holding
Yung Wen Investment and Finance Limited ("YWIF")	British Virgin Islands/ Hong Kong	US$2	100	—	Investment holding
Beijing AdTargeting Inc.	PRC	US$300,000	—	100	Provision of internet advertising agency services

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$27,000,002 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.

18. INTERESTS IN ASSOCIATES

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Share of net assets	**12,980**	2,781	**—**	—
Goodwill on acquisition	**600**	—	**—**	—
Loans to associates	**8,947**	29,537	**3,292**	9,360
	22,527	32,318	**3,292**	9,360

The loans to associates are unsecured, interest-free and repayable on demand except for the amounts of HK$3,250,000 which bear interest at Hong Kong dollar prime rate plus 1.5% per annum and repayable in 2002.

Particulars of the principal associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity indirectly attributable to the Group 2001	2000	Principal activities
Discrete Association Semiconductors Pte. Limited ("DAS") *	Corporate	Singapore	**49****	—	Marketing and distribution of semi-conductors
MC.Founder Limited ("MCF")	Corporate	Hong Kong	**40**	40	Distribution of mobile phones
MC.Founder (Distribution) Limited ("MCFD")	Corporate	Hong Kong	**40**	40	Distribution of mobile phones
Founder iASPEC Limited	Corporate	British Virgin Islands	**—**	40#	Investment holding
Founder iASPEC (NB) Limited	Corporate	Hong Kong	**—**	26#	Provision of information technology consultancy services

* not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms
** incorporated during the year
# disposed of during the year

The financial statements of the above associates are coterminous with those of the Group, except for MCF and MCFD which have a financial year ending 31 March.

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.

19. LONG TERM INVESTMENTS

	Group	
	2001	2000
	HK$'000	*HK$'000*
Club debenture, at cost	**1,075**	1,075

20. INVENTORIES

	Group	
	2001	2000
	HK$'000	*HK$'000*
Raw materials	**22,147**	32,247
Work in progress	**24,993**	25,146
Finished goods	**7,190**	14,330
	54,330	71,723

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

21. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 1 month, extending up to 5 months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management.

An aged analysis of the trade receivables as at the balance sheet date, based on invoice date is as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
1 - 6 months	**50,869**	39,909
7 - 12 months	**675**	2,640
13 - 24 months	**5,324**	6,893
Over 24 months	**5,236**	1,767
	62,104	51,209
Provision	**(8,147)**	(6,989)
Total net of provision	**53,957**	44,220

22. OTHER RECEIVABLES

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**2,528**	3,692	**208**	—
Deposits and other debtors	**6,887**	2,886	**1,962**	6
Due from related companies	**43,610**	56,219	**5,020**	55,509
	53,025	62,797	**7,190**	55,515

The amount due from related companies include approximately HK$40,746,000 due from Ricwinco arising from the MA as further disclosed in notes 5 and 38 to these financial statements, approximately HK$1,928,000 due from Founder Holdings Limited and its subsidiaries ("Founder Group") and approximately HK$936,000 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 the year end balances. The amounts due from Ricwinco are secured by an escrow arrangement over approximately 13.2 million ordinary shares of the Company owned by Ricwinco, interest-free and repayable on demand.

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

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**51,160**	27,337	**874**	484
Time deposits	**66,844**	71,047	**18,531**	60,972
	118,004	98,384	**19,405**	61,456
Less: Pledged time deposits:				
Pledged for short term bank loans	**(48,313)**	(5,000)	**—**	—
Cash and cash equivalents	**69,691**	93,384	**19,405**	61,456

24. TRADE AND BILLS PAYABLES

An aged analysis of trade and bills payables as at the balance sheet date, based on the payment due date, is as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
1 - 6 months	**59,641**	64,593
7 - 12 months	**20,966**	11,838
Over 12 months	**1,955**	464
	82,562	76,895

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accruals	**19,998**	21,337	**4,738**	10,956
Other liabilities	**5,964**	8,587	**3,545**	—
Due to related companies	**285**	4,978	**—**	816
	26,247	34,902	**8,283**	11,772

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

26. OTHER LOANS

Other loans of HK$8 million and HK$1.9 million are unsecured, bear interest at 12% per annum and 5.4% per annum, respectively, and are repayable in 2002.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group	
		2001	2000
	Notes	***HK$'000***	*HK$'000*
Bank overdrafts — unsecured		**3,906**	3,684
Trust receipts loans		**13,724**	20,498
Current portion of bank loans — secured		**48,030**	8,841
	28	**65,660**	33,023
Current portion of finance lease payables	*29*	**3,025**	4,692
		68,685	37,715

28. INTEREST-BEARING BANK BORROWINGS

	Group	
	2001	2000
	HK$'000	*HK$'000*
Bank overdrafts:		
Unsecured	**3,906**	3,684
Bank loans:		
Secured	**48,309**	9,504
Trust receipts loans:		
Secured	**5,000**	3,532
Unsecured	**8,724**	16,966
	13,724	20,498
	65,939	33,686
Bank overdrafts repayable within one year or on demand	**3,906**	3,684
Bank loans repayable:		
Within one year or on demand	**61,754**	29,339
In the second year	**279**	370
In the third to fifth years, inclusive	**—**	293
	62,033	30,002
	65,939	33,686
Portion classified as current liabilities — *note 27*	**(65,660)**	(33,023)
Long term portion	**279**	663

(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 overseas which had an aggregate net book value at the balance sheet date of approximately HK$2,588,000 (2000: HK$2,644,000);

(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$1,568,000 (2000: HK$4,326,000);

(iii) the pledge of certain of the Group's fixed deposits amounting to approximately HK$48,313,000 (2000: HK$5,000,000).

(b) Approximately HK$11,031,000 (2000: HK$9,302,000) of the Group's unsecured bank overdrafts and trust receipts loans at the balance sheet date were guaranteed by Ricwinco, a substantial shareholder of the Company.

29. FINANCE LEASE PAYABLES

The Group leases certain of its machinery and equipment for its electronic products and components business. These leases are classified as finance leases and have remaining lease terms ranging from 1 to 5 years.

At 31 December 2001, the total future minimum lease payments under finance leases and their present values, were as follows:

Group	**Minimum lease payments 2001 *HK$'000***	Minimum lease payments 2000 *HK$'000*	**Present value of minimum lease payments 2001 *HK$'000***	Present value of minimum lease payments 2000 *HK$'000*
Amounts payable:				
Within one year	**3,199**	5,291	**3,025**	4,692
In the second year	**1,103**	2,938	**1,032**	2,692
In the third to fifth years, inclusive	**750**	1,392	**732**	1,264
Total minimum finance lease payments	**5,052**	9,621	**4,789**	8,648
Future finance charges	**(263)**	(973)		
Total net finance lease payables	**4,789**	8,648		
Portion classified as current liabilities-*note 27*	**(3,025)**	(4,692)		
Long term portion	**1,764**	3,956		

SSAP 14 was revised and implemented during the year, as detailed in note 2 to these financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.

30. 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	
	2001	2000
	HK$'000	*HK$'000*
Accelerated depreciation allowances	**(1,144)**	(1,340)
Tax losses carried forward	**6,072**	7,415
	4,928	6,075

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

31. SHARE CAPITAL

	Group and Company	
	2001	2000
	HK$'000	*HK$'000*
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	**300,000**	300,000
Issued and fully paid:		
820,562,040 ordinary shares of HK$0.10 each	**82,056**	82,056

31. SHARE CAPITAL *(continued)*

Share options

The Company operates two share option schemes which were adopted on 11 September 1991 (the "Expired Scheme") and 7 May 2001 (the "Existing Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 26 to 29.

Expired Scheme

At the beginning of the year, there were 7,800,000 options outstanding under the Expired Scheme, which entitled the holders to subscribe for shares of the Company at any time during periods ranging from 1 August 1997 to 31 July 2002. The subscription price payable upon the exercise of these options was HK$0.507, subject to adjustment.

During the year, the Company granted a total of 6,000,000 share options under the Expired Scheme for a nominal consideration of HK$1 in total per grant. The share options granted entitled the holders to subscribe for shares of the Company at any time during periods from 15 December 2001 to 14 December 2006. The subscription price per share payable upon the exercise of these options was HK$0.45, subject to adjustment.

No share options under the Expired Scheme were lapsed during the year.

At the balance sheet date, the Company had 13,800,000 share options outstanding under the Expired Scheme with exercise periods ranging from 1 August 1997 to 14 December 2006 and exercise prices ranging from HK$0.45 to HK$0.507. The exercise in full of the remaining share options under the Expired Scheme would, under the present capital structure of the Company, result in the issue of 13,800,000 additional shares and proceeds of approximately HK$6,654,600.

Existing Scheme

During the year, the Company granted a total of 48,000,000 share options under the Existing Scheme for a nominal consideration of HK$1 in total per grant. The share options granted entitled the holders to subscribe for shares of the Company at any time during period from 18 May 2001 to 17 May 2011. The subscription price per share payable upon the exercise of these options was HK$0.45, subject to adjustment.

No share options under the Existing Scheme were lapsed during the year.

At the balance sheet date, the Company had 48,000,000 share options outstanding under the Existing Scheme with exercise period from 18 May 2001 to 17 May 2011 and exercise price of HK$0.45. The exercise in full of the remaining share options under the Existing Scheme would, under the present capital structure of the Company, result in the issue of 48,000,000 additional shares and proceeds of approximately HK$21,600,000.

32. RESERVES

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Revaluation reserve HK$'000	Non-distributable reserves HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2000	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:							
As previously reported	—	—	—	—	—	(39,841)	(39,841)
SSAP 31 — impairment of goodwill eliminated against contributed surplus *(note 16)*	—	452,259	—	—	—	(452,259)	—
Loss for the year as restated	—	452,259	—	—	—	(492,100)	(39,841)
At 31 December 2000	118,299	452,259	(988)	3,777	—	(401,981)	171,366
At 1 January 2001							
At previously reported	118,299	—	(988)	3,777	—	50,278	171,366
Prior year adjustment:							
SSAP 31 — impairment of goodwill eliminated against contributed surplus *(note 16)*	—	452,259	—	—	—	(452,259)	—
At restated	118,299	452,259	(988)	3,777	—	(401,981)	171,366
Exchange realignments	—	—	(8)	—	—	—	(8)
Loss for the year	—	—	—	—	—	(69,041)	(69,041)
At 31 December 2001	118,299	452,259	(996)	3,777	—	(471,022)	102,317
Reserves retained by:							
Company and subsidiaries	118,299	452,259	(996)	3,777	—	(479,723)	93,616
Associates	—	—	—	—	—	8,701	8,701
At 31 December 2001	118,299	452,259	(996)	3,777	—	(471,022)	102,317
Company and subsidiaries	118,299	452,259	(988)	3,777	—	(403,424)	169,923
Associates	—	—	—	—	—	1,443	1,443
At 31 December 2000	118,299	452,259	(988)	3,777	—	(401,981)	171,366

32. RESERVES *(continued)*

Group *(continued)*

Certain amounts of goodwill arising on the acquisition of subsidiaries remain eliminated against retained profits and contributed surplus, further details of which are included in note 16 to these financial statements.

Company

	Share premium account	Contributed surplus	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2000	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	—	—	(352)	(352)
At 31 December 2000 and 1 January 2001	118,299	528,980	85,869	733,148
Loss for the year	—	—	(536,331)	(536,331)
At 31 December 2001	118,299	528,980	(450,462)	196,817

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

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2001	2000
	HK$'000	*HK$'000*
		(Restated)
Loss from operating activities	**(64,556)**	(497,782)
Interest income	**(3,576)**	(3,218)
Dividend income	**—**	(29)
Depreciation	**13,424**	13,363
Impairment of goodwill	**—**	452,259
Impairment of fixed assets	**38,180**	—
Amortisation and write-off of deferred development costs	**3,864**	637
Provisions for doubtful debts	**1,158**	5,231
Gain on disposal of short term investments	**—**	(737)
Loss on disposal of an associate	**1,115**	—
Decrease in amounts due from a venturer in a jointly-controlled entity	**—**	19,325
Other gains	**(40,746)**	(1,446)
Reserves release on disposal of subsidiaries	**—**	2,816
Loss on disposal of fixed assets	**22**	200
Increase in trade and bills receivables	**(10,895)**	(19,738)
Decrease/(increase) in inventories	**17,393**	(1,532)
Decrease/(increase) in prepayments, deposits and other debtors	**(875)**	5,344
Decrease/(increase) in an amount due from an associate	**230**	(677)
Increase in trade and bills payables	**5,667**	3,347
Decrease in other payables and accruals	**(3,962)**	(34,843)
Decrease in net amounts due from jointly-controlled entities	**—**	6,030
Decrease/(increase) in amount due from related companies	**53,355**	(710)
Increase/(decrease) in amount due to related companies	**(4,693)**	4,978
Net cash inflow/(outflow) from operating activities	**5,105**	(47,182)

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

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

	Share capital (including share premium)	Bank and other loans	Finance lease obligations	Minority interests
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2000	40,843	39,117	11,556	2,349
Cash inflow/(outflow) from financing, net	106,232	5,885	(2,908)	—
Share of profit 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
At 31 December 2000 and 1 January 2001	200,355	45,002	8,648	3,331
Cash inflow/(outflow) from financing, net	—	26,883	(4,859)	675
Inception of finance lease contracts	—	—	1,000	—
Share of loss after tax of subsidiaries	—	—	—	(1,670)
At 31 December 2001	200,355	71,885	4,789	2,336

(c) Major non-cash transactions

During the year, the Group entered into a finance lease arrangement in respect of fixed assets with a total capital value at the inception of the lease of approximately HK$1 million.

Additionally, the consideration for the disposal of an associate during the year was satisfied by a cash consideration of HK$1,962,000 and fixed assets with a net book value of approximately HK$3,334,000.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(d) Acquisition of subsidiaries

	2001	2000
	HK$'000	*HK$'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)
	—	7,922
Goodwill on acquisition	—	535,389
	—	543,311
Satisfied by:		
Issue of shares	—	532,800
Incidental acquisition costs	—	10,511
	—	543,311
Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries:		
Cash and bank balances acquired	—	30,899

For the year ended 2000, the subsidiaries acquired in that 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.

For the year ended 2000, the subsidiaries acquired in that year contributed approximately HK$10 million to turnover and loss of approximately HK$19 million to the consolidated loss before minority interests.

33. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(e) Disposal of subsidiaries

	2001	2000
	HK$'000	*HK$'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)
	—	66,063
Satisfied by:		
Cash	—	12,000
Other receivables	—	54,063
	—	66,063

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

	2001	2000
	HK$'000	*HK$'000*
Cash consideration	—	12,000
Cash and bank balances disposed of	—	(383)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	—	11,617

For the year ended 2000, the subsidiaries disposed of in that year made no significant contribution to the turnover and contributed profits of approximately HK$1,379,000 to the consolidated loss after tax.

For the year ended 2000, the subsidiaries disposed of in that year contributed approximately HK$6,819,000 to the group's net operating cash flows, 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.

34. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bills discounted with recourse	**10,288**	10,820	**—**	—
Guarantees given to banks in connection with facilities granted to subsidiaries	**50,500**	47,500	**50,500**	47,500
	60,788	58,320	**50,500**	47,500

As at 31 December 2001, the bank facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK$25 million (2000: HK$31 million).

A maximum credit amount of approximately HK$54 million for purchases from a trade creditor was subject to guarantee given by the Company to the trade creditor. The amounts were utilised to the extents of approximately HK$39 million as at 31 December 2001.

In addition, the Company has given a corporate guarantee to secure other loan of HK$5,000,000 (2000: HK$10,000,000) borrowed by a subsidiary.

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its land and buildings under operating lease arrangements, with leases negotiated for a term of 1 year. The terms of the lease also require the tenant to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2001, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Within one year	**380**	380

35. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases certain of its office properties and machinery under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 5 years, and those for machinery for a term of 1 year.

At 31 December 2001, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Land and buildings:				
Within one year	**6,563**	6,299	**151**	151
In the second to fifth years, inclusive	**11,940**	14,851	**113**	264
After five years	**—**	2,017	**—**	—
	18,503	23,167	**264**	415
Others expiring within one year	**—**	10,530	**—**	—
	18,503	33,697	**264**	415

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note 35(a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note 35(b) above, have been restated to accord with the current year's presentation.

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35(b) above, the Group had the following commitments at the balance sheet date:

Capital commitments

	Group	
	2001	2000
	HK$'000	*HK$'000*
Contracted for	—	780

37. POST BALANCE SHEET EVENTS

On 4 April 2002, the Group entered into a conditional DA with Ricwinco. Pursuant to the DA, the Company conditionally agreed to dispose of its entire issued share capital of YWIF and to assign the indebtedness due to the Group by YWIF and its subsidiaries (the "YWIF Group") to Ricwinco for a total cash consideration of HK$15,000,000. In addition, Ricwinco conditionally agreed to procure the release of the Company from all existing guarantees and undertakings it had given in respect of liabilities of the YWIF Group except to a trade creditor aggregating HK$28 million which will be released by no later than 31 March 2003. The DA constituted a discloseable and connected transaction for the purpose of Listing Rules and is subject to the independent shareholders approval at a special general meeting to be convened.

38. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances set out elsewhere in the notes to these financial statements, the Company had the following transactions with related parties during the year:

(a) Pursuant to the MA dated 17 May 2000, 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 YWIF Group and the weighing scale business, which is operated by MITC and its subsidiaries (the "MITC Group"). Ricwinco unconditionally guaranteed to the Company that the aggregate of 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 for which the profit guarantee is effective commenced on 1 October 2000 and expires on 30 September 2003. The MA constituted a major and connected transaction for the purpose of the Listing Rules. The amount of guaranteed profit recognised for the year ended 31 December 2001 is set out in note 5 to these financial statements.

38. RELATED PARTY TRANSACTIONS *(continued)*

(b) On 27 July 2001, FDC entered into an agreement (the "Agreement") with Yahoo! Holdings (Hong Kong) Limited ("Yahoo"), a subsidiary of a substantial shareholder of the Company. Pursuant to the Agreement, FDC committed to purchase advertising spaces in the amount of US$1.2 million in Yahoo's portal on or before 31 December 2001. The Agreement constituted a major and connected transaction under the Listing Rules.

(c) The Group entered into the following transactions with Digital Lighting Holdings Limited and its subsidiaries (the "DL Group") in which a substantial shareholder of the Company, Ricwinco, has significant interest.

		Group	
		2001	2000
	Notes	***HK$'000***	*HK$'000*
Sales of finished goods to the DL Group	*(i)*	**—**	95
Interest income received from the DL Group	*(ii)*	**36**	565
Reimbursement of service charges received from the DL Group	*(iii)*	**556**	556
Rental income received from the DL Group	*(iv)*	**397**	397
Sales of fixed assets to the DL Group	*(iv)*	**—**	1,078

(i) The sales of finished goods to the DL Group were made at cost plus a mark-up of 1.5%.

(ii) The interest income received from the DL Group was calculated based on prime rate plus 0.25% to 0.5% per annum.

(iii) The reimbursement of service charges received from the DL Group represented the reimbursement of actual general and administrative expenses received from the DL Group.

(iv) The transactions were conducted at current market prices as determined between the two parties.

38. RELATED PARTY TRANSACTIONS *(continued)*

(d) During the year, the Group entered into the following transactions with its substantial shareholder, the Founder Group.

		Group	
		2001	2000
	Notes	***HK$'000***	*HK$'000*
Sales of finished goods to the Founder Group	*(i)*	**153**	—
Purchases of finished goods from the Founder Group	*(ii)*	**(2,174)**	—
Reimbursement of service charges paid to the Founder Group	*(iii)*	**(2,938)**	—
Rental expenses paid to the Founder Group	*(iv)*	**(151)**	—

(i) The sales of finished goods were made according to the published prices and conditions similar to those offered to other customers of the Group.

(ii) The directors consider that the purchases of finished goods were made according to the published prices and conditions similar to those offered to other customers of the supplier.

(iii) The reimbursement of service charges paid to the Founder Group represented the reimbursement of actual general and administrative expenses paid to Founder Group.

(iv) The transactions were conducted at current market prices as determined between the two parties.

During the year, the Group received loan interest from an associate, MCF, of approximately HK$963,000. The interest rate is disclosed in note 18 to these financial statements.

During the year, finished goods of approximately HK$8,510,000 were sold to and a commission of approximately HK$319,000 was paid to DAS, an associate of the Group, according to the published prices offered to customers of the Group and 3% of invoiced amount respectively.

During the year, Ricwinco guaranteed approximately HK$11,031,000 (2000: 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.

39. COMPARATIVE AMOUNTS

As further explained in note 2 to these financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, a prior year adjustment has been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 April 2002.