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CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTORS

YAU Tak Wah, Paul (*Chairman*)

TAM Ping Wah

LOUIE Mei Po

(appointed on 1 February 2000)

WONG Shin Ling, Irene

(appointed on 1 February 2000)

TAM Wing Kin

(appointed on 1 February 2000)

YUNG Ip Ki (*Deputy Chairman*)

(resigned on 1 February 2000)

TSE Kam Fow (*Managing Director*)

(resigned on 1 February 2000)

CHIU Wing Hong

(resigned on 1 February 2000)

NON-EXECUTIVE DIRECTORS

NG Wai Hung

(appointed on 31 March 2000)

CHEUNG Chung Leung, Richard

(appointed on 31 March 2000)

Alfred Donald YAP J.P.

(resigned on 22 March 2000)

YAM Po Wah

(resigned on 18 February 2000)

COMPANY SECRETARY

MA Wing Kuen, Ricky

AUDITORS

Ernst & Young

LEGAL ADVISERS IN HONG KONG

Iu, Lai & Li

Heller Ehrman White & McAuliffe

LEGAL ADVISERS ON BERMUDA LAW

Conyers, Dill & Pearman

REGISTERED OFFICE

Clarendon House

Church Street

Hamilton HM 11

Bermuda



CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

25th Floor, Central Tower
28 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR

The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Central Registration Hong Kong Limited
Rooms 1901-05
19th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
International Bank of Asia
The Kwangtung Provincial Bank
Fortis Bank
Dao Heng Bank



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of the Company (the "Shareholders") will be held at Unit 903-906, 9th Floor, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hungghom, Kowloon, Hong Kong on Friday, 8 June 2001 at 10:30 a.m. for the following purposes:

As Ordinary Business

1. To receive and consider the Audited Consolidated Accounts of the Company and its subsidiaries and the Reports of the Directors and Auditors for the year ended 31 December 2000.
2. To re-elect the retiring Directors of the Company and to fix the Directors' remuneration.
3. To appoint Auditors for the ensuing year and authorise the Directors of the Company to fix their remuneration.

As Special Business

To consider and, if thought fit, pass the following resolutions nos. 4 to 6 as Ordinary Resolutions:-

Ordinary Resolutions

4. **"THAT:**
 - (a) subject to paragraph (c) below, a general mandate be and is hereby unconditionally granted to the Directors to exercise during the Relevant Period (as hereinafter defined) all powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers;
 - (b) the mandate in paragraph (a) shall authorise the Directors during the Relevant Period to make and grant offers, agreements and options which would or might require shares to be allotted after the end of the Relevant Period;
 - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the mandate in paragraph (a) above, otherwise than pursuant to shares issued as a result of a Rights Issue (as hereinafter defined) or pursuant to the exercise of options under the share option scheme of the Company or any shares allotted in lieu of the whole or part of a dividend on shares in accordance with the bye-laws of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of this resolution and the said mandate shall be limited accordingly; and



NOTICE OF ANNUAL GENERAL MEETING

(d) for the purposes of this resolution:–

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

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held; or
- (iii) the revocation or variation of this resolution by an ordinary resolution of the Shareholders in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside, Hong Kong).”

5. **“THAT:**

- (a) subject to paragraph (b) below, a general mandate be and is hereby unconditionally given to the Directors during the Relevant Period (as hereinafter defined) all powers of the Company to purchase its own shares in the capital of the Company, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
- (b) the aggregate nominal amount of the shares purchased by the Company pursuant to the mandate in paragraph (a) above during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of this resolution, and the said mandate be limited accordingly; and

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NOTICE OF ANNUAL GENERAL MEETING

(c) for the purposes of this resolution:–

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

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of Company is required by the bye-laws of the Company or any applicable laws of Bermuda to be held; or
- (iii) the revocation or variation of this resolution by an ordinary resolution of the Shareholders in general meeting.”

6. **“THAT** subject to the passing of resolutions nos. 4 and 5, the aggregate nominal amount of shares which are to be purchased by the Company pursuant to the authority granted to the Directors as mentioned in resolution no. 5 shall be added to the aggregate nominal amount of shares which may be issued or agreed to be issued by the Directors pursuant to resolution no. 4.”

By Order of the Board
Yau Tak Wah, Paul
Chairman

Hong Kong, 20 April, 2001

Notes:

1. The Register of Members will be closed from Wednesday, 6 June, 2001 to Friday, 8 June, 2001, both days inclusive, during which no transfer of shares will be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company’s registrars, Central Registration Hong Kong Limited of Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:00 p.m. on Tuesday, 5 June, 2001.
2. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a member.
3. A form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company’s head office and principal place of business in Hong Kong at 25th Floor, Central Tower, 28 Queen’s Road Central, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjourned meeting.



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the annual results of the Group for the year ended 31 December 2000.

RESULTS

The Group's profit attributable to shareholders for the year was HK\$32.5 million. Earnings per share amounted to HK4.7 cents, compared with the loss per share of HK10.2 cents in the previous year. We reported a solid cash and balance sheet position. At 31 December 2000, the Group's net cash position amounted to HK\$138.5 million (1999: HK\$40.9 million), represented 36.7% of the shareholders' fund of HK\$377.1 million.

The Board of Directors does not recommend the payment of any final dividend (1999: Nil).

BUSINESS REVIEW

After the financial turmoil in 1997, the economy of most of the Asian countries including Hong Kong gradually recovered during the year of 2000. Therefore, the Group performed prominently for the year ended 31 December 2000. Total turnover increased by 9.7% to HK\$659.8 million compared with last year. The Group recorded a net profit of HK\$32.5 million, comparing to a net loss of HK\$44.9 million in 1999.

Owing to the improving political situation and stable investment environment, most of the sizeable firms engaging in the electronic industry from North America and Japan have moved their subcontracting activities to the Mainland China. The Group's electronic products business largely benefited from this move. On the other hand, new products like digital compass, household electronic products and radio control clocks attracted more customers. As a result, turnover increased by 14.1% to HK\$456 million for the year under review. In addition to the effective cost control measures, the electronic product business performed very satisfactory.

For the manufacture of PCBs, although price competition in the market was still high, a growth of 27.8% in turnover was recorded during the year of 2000. Turnover amounted to HK\$137.5 million for the year ended 31 December 2000. Loss suffered by the printed circuit board ("PCB") operations was significantly reduced as a result of the effective cost and quality control policies. It is expected that the PCB business would have profit contributions to the Group in the years to come.

In view of the keen competition in the trading of electronic components and parts both in Hong Kong and the Mainland China, the Group has significantly scaled down the trading and distribution business in the second half of the year under review. The sales and representative office in Shanghai and Shenzhen were closed in July and August, respectively, during the year. Therefore, turnover for the trading and distribution of electronic components and parts for the year ended 31 December 2000 decreased by over 50% compared with 1999.



CHAIRMAN'S STATEMENT

In September 2000, the Group has completed the sale of 45% interests in the PCB operations to Cedar Base Electronic (Group) Limited ("Cedar Base"), a listed company in Hong Kong, at a consideration of HK\$67.5 million. The consideration was satisfied by the allotment and issue of 178,250,000 new Cedar Base shares, representing approximately 30.8% of the enlarged issued share capital of Cedar Base. The Group recorded a gain of HK\$33.4 million arising from this transaction. Before the year end, the Group has disposed of 16,000,000 Cedar Base shares. The Group considers the remaining interest in Cedar Base to be a short term investment and will dispose of such interest based on market condition.

Through four placements of new shares during year 2000, the Group raised funds of approximately HK\$149.4 million. With sufficient resources on hand, the Group has been searching for various investment opportunities. The Group has started the business of short term loan financing. Due to unforeseen circumstances, the performance of the short term loan financing business was less satisfactory.

In view of various positive measures launched by the Government of the HKSAR in relation to Hong Kong residential property market, the Group purchased three residential properties, amounting HK\$19.8 million for short term investment purpose.

FUTURE PLANS

It is generally believed that the economic growth in the United States of America may slow down in the year of 2001. However, most of the European countries have a sign of recovery in the recent months. The Group will closely monitor the changing market environment and formulate its business strategies on a conservative basis. In addition, diversification to other related electronic field is also our business plan in mind.

For the Electronic Products Division, more new products especially those with radio control features like electronic weather-forecast and wireless thermo-sensor will be developed to satisfy the customer needs. A selected range of electronic products are being promoted with our own brand "iDigit" through a number of household stores in Hong Kong. It is going to pave the way to establish the Group's product image and to explore the local retail market in the coming future.

For the manufacture of PCBs, concentration on orders with large quantity and high-end products with higher margin will be our targeted marketing strategies. In the coming year, certain enhancement program will be considered on the production equipment mainly for the reduction of operating costs and the enlargement of the production capacity.

Although the trading and distribution of electronic components and parts business will still confront with keen competition, our good relationship with well-known Japanese electronic groups will place us in a more favourable position. The Group's trading division is undergoing a restructuring plan and we are negotiating various distributorships and agency agreements with potential business partners.

The Group is in a position of solid base and will continue to explore suitable investment opportunities to enhance its earning base and acts promptly as and when suitable opportunities arise.



CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I would like to take this opportunity to express our appreciation to all our staff for their conscientious efforts and dedication over the past year.

On behalf of the Board

Yau Tak Wah, Paul

Chairman

Hong Kong, 20 April 2001



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

As a result of the outstanding performance of the Group's business operations and the effective financial management and control for the year ended 31 December 2000, coupled with the placements of new shares during the year, the Group's total net assets increased by approximately HK\$182.9 million compared with last year. The Group's total turnover recorded at HK\$659.8 million, representing 9.7 per cent increase compared with the same period of last year. Net profit attributable to shareholders amounted to HK\$32.5 million. Basic earnings per share for the year was HK4.7 cents. Details of variance are summarised as follows:

	Increase/(Decrease) in the Group's total net assets HK\$ million
Fixed assets	3.3
Prepaid rental	(0.7)
Rental deposits	0.4
Deferred product development costs	0.4
Interests in associates (including amounts due from/to associates)	2.8
Cash and bank balances and time deposits	73.6
Accounts receivable, bills receivable, deposits and prepayments	12.0
Loans and loan interest receivables	45.6
Short term investments	35.5
Properties held for sale	(2.2)
Inventories	5.9
Bank borrowings	24.1
Accounts payable, bills payable and accrued liabilities	22.8
Taxation (including tax payable and deferred tax)	(7.2)
Minority interests	(33.4)
Net increase in Group's total net assets	182.9

In April 2000, the Group disposed of properties held for sale with net book value of HK\$22 million. On the other hand, during the year under review, the Group has invested about HK\$20 million of fixed assets in the manufacturing plants in Mainland China to enhance their production capacities.

The investments in associates were sold to the majority shareholders of the associates in April 2000 at a consideration of HK\$1.2 million.

Through four placements of new shares during the year, the Group raised funds of HK\$149.4 million.

To diversify the business of the Group, secured short term loans were granted to independent borrowers.



MANAGEMENT DISCUSSION AND ANALYSIS

Three residential properties were acquired for short term investment purposes at a consideration of HK\$19.8 million.

As part of our cost control measures, lower purchase price with shorter credit term was negotiated with suppliers that led to a decrease of accounts payable balance as at 31 December 2000.

In September 2000, the Group has completed the sale of 45% interest of the PCB operations to another listed company in Hong Kong. The consideration was satisfied by the allotment and issue of 178,250,000 new Cedar Base shares. The Group treated the shares as a short term investment and has disposed part of it. The balance as at 31 December 2000 values to HK\$28.1 million. In view of the disposal of interest in PCB operations, the minority interests carried by the Group substantially increased by HK\$33.4 million comparing with the same period of last year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's financial position reflected the strength of its operating results. The gearing of the Group, measured as total debts to total assets, has improved from 50.8% in year 1999 to 33.5% in year 2000. After the placing of 386.0 million shares with net proceeds of HK\$149.4 million in year 2000, cash and bank balances (including time deposits) maintained by the Group as at 31 December 2000 were HK\$144.6 million, representing an increase of HK\$73.6 million compared with last year. On the other hand, the Group had outstanding bank borrowings of HK\$6.1 million as at the balance sheet date which represented trade finance borrowings for the normal working capital requirements. A decrease of HK\$24.1 million in total in the bank borrowings was recorded comparing with the same period of last year.

The Group has available banking facilities of HK\$55 million. Together with the net positive cash and bank balances, it is believed that it has adequate cash resources to meet working capital requirements and all commitments for future expansion should the opportunities arises.

CAPITAL STRUCTURE

Pursuant to four placing agreements between the Company and placing agents, a total of 386.0 million new shares were issued to independent investors. The issued share capital of the Company had increased to 825.2 million shares. Moreover, share options were granted to three directors of the Company in February, March and May 2000 under the Share Option Scheme approved by the Company on 21 July 1995. The Company's issued share capital will be increased by 30.5 million shares should the options be fully exercised.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2000, the Group employed approximately 2,500 full time employees, with 2,400 in the Mainland China and 100 in Hong Kong.

The Group remunerates its employees largely based on industry practice. In the Mainland China, the Group provides staff welfare and bonuses to its employees in accordance with the prevailing labour law. In Hong Kong, the Group provides staff benefits including medical scheme, performance related bonuses and mandatory provident fund.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. YAU Tak Wah, Paul – Chairman, aged 45, is the founder of the Group and is primarily responsible for corporate strategic planning. He holds a bachelor of science degree in mechanical engineering and has more than 20 years' experience in the electronics industry. Before he established the Group, Mr. Yau worked as design engineer in a renowned US electronics company operating in Hong Kong where he gained invaluable experience in production design and established close business relationships with various electronics manufacturers in Hong Kong.

Mr. TAM Ping Wah – Director, aged 45, has more than 22 years' experience in electronics business. Being a graduate from Simon Fraser University in Canada in 1979, Mr. Tam first worked at a leading electronics company operating in Hong Kong as regional marketing manager and obtained extensive exposure to the North American and European markets. He joined the Group in 1983 and is responsible for the manufacturing and sales operations of the Group's Electronic Products Division.

Ms. LOUIE Mei Po – Director, aged 33, is responsible for business investment and development of the Group. Ms. Louie holds a master's degree in Business Administration and a bachelor's degree in Social Science from the Chinese University of Hong Kong. Prior to joining the Group, Ms. Louie was the executive director of two listed companies in Hong Kong specialising in mortgage loan financing, property investment and development. She has over ten years' experience in business investment and development. She joined the Group in February 2000.

Ms. WONG Shin Ling, Irene – Director, aged 40, is responsible for management and administration of the Group. Ms. Wong has over 12 years of experience in the field of property development and management. Prior to joining the Group, she was an executive director of two listed companies in Hong Kong specialising in mortgage loan financing, property investment and development. She joined the Group in February 2000.

Mr. TAM Wing Kin – Director, aged 35, is responsible for finance of the Group. He is a member of The Chartered Institute of Management Accountants, The Association of Chartered Certified Accountants and The Hong Kong Society of Accountants. He is also a Certified Public Accountant. He worked for an international accountancy firm and two listed companies in Hong Kong. He has over 12 years' experience in accounting field. He joined the Group in February 2000.

Mr. YUNG Ip Ki – Deputy Chairman, aged 42, is in charge of business promotion and development of the Group. Before joining the Group in 1993, he worked as a senior sales executive in an internationally well-known Japanese electronics group. Mr. Yung was subsequently engaged in the distribution of electronic components and products for several years in Hong Kong. He has more than 16 years' experience in the electronics industry. He resigned from the Group in February 2000.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS (Continued)

Mr. TSE Kam Fow – Managing Director, aged 41, is in charge of the overall management and control and the implementation of business plans of the Group. He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants. He is also a Certified Public Accountant. Mr. Tse has more than 18 years' experience in banking and finance with main emphasis in financial advisory, corporate finance, mergers & acquisitions, corporate planning, corporate restructuring and banking. Prior to joining the Group, Mr. Tse was the managing director of a management and financial consultancy company in Hong Kong specialising in corporate consultancy services. He resigned from the Group in February 2000.

Mr. CHIU Wing Hong – Director, aged 49, joined the Group in 1993 and is responsible for the management of the overall operations of the trading and distribution of electronic components and parts in the Group's Electronic Components and Parts Division. Prior to joining the Group, he held a variety of sales and marketing positions with various electronics trading companies in Hong Kong and was also engaged in the distribution of electronic components in Hong Kong. He resigned from the Group in February 2000.

NON-EXECUTIVE DIRECTORS

Mr. NG Wai Hung, aged 37, is a practicing solicitor and a partner in Lu, Lai & Li, a Hong Kong firm of solicitors and notaries. Mr. Ng has extensive experience in the area of securities law, corporate law and commercial law in Hong Kong and has been involved in initial public offerings of securities in Hong Kong as well as corporate restructuring, mergers and acquisitions and takeovers of listed companies. He frequently advises multinational and Hong Kong corporations on private equity investments, joint ventures as well as regulatory compliance. He joined the Group in March 2000.

Mr. CHEUNG Chung Leung, Richard, aged 47, has over 21 years of experience as an architect and real estate investment adviser. He is also the Managing Director of Mayroy Consultants Ltd. Prior to joining Mayroy Consultants, he was the Managing Director of Midland Property Consultants Ltd. He graduated from the University of Hong Kong with degrees of Bachelor of Arts (Architectural Studies) and Bachelor in Architecture. He is a member of the Hong Kong Institute of Architects, a Registered Architect and Authorised Person under the Hong Kong Buildings Ordinance. He joined the Group in March 2000.

Mr. Alfred Donald YAP J.P., aged 62, is a solicitor admitted to practise in Hong Kong, Australia and England, a Notary Public and a China-Appointed Attesting Officer. He is presently a partner with Donald Yap, Cheng & Kong, Solicitors & Notaries. Mr. Yap is also a Council Member of The Law Society of Hong Kong, a member of The Stock Exchange of Hong Kong Limited's Examination Board of the Securities Industry Examination, an executive member of Heung Yee Kuk. He was a Hong Kong Affairs Adviser. He resigned from the Group in March 2000.



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS (Continued)

Mr. YAM Po Wah, aged 42, is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Society of Accountants and an associate member of the Chartered Institute of Management Accountants. He has over 17 years' experience in auditing, taxation and financial management. He is presently a consultant with a corporate services and public accountants firm. He resigned from the Group in February 2000.

SENIOR MANAGEMENT

Mr. MA Wing Kuen, Ricky, aged 41, is the group financial controller and company secretary, responsible for financial, accounting and corporate secretarial functions. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Society of Accountants. Prior to joining the Group in 1995, he had accumulated more than 12 years' relevant experience in working with an international accounting firm, a major merchant bank and also holding senior financial positions in various trading and manufacturing companies in Hong Kong.

Mr. HUI Wing Ki, aged 56, is the operation director of the Group's Electronic Products Division, responsible for manufacturing and engineering functions. He has over 33 years' experience in the electronics industry. Prior to joining the Group in 1996, he was one of the founders in an electronic company listed in Hong Kong.

Mr. YEUNG Kam Tong, aged 47, is the director and general manager of E-Top PCB Limited and is responsible for the overall PCB operations of the Group. He holds a bachelor degree in chemical engineering. Prior to joining the Group in 1991, he worked for several PCB manufacturers at management level and had over 14 years' operation and management experience in PCB business.

Mr. WONG Tak Chung, aged 34, is the chief operation officer responsible for the Group's sales and marketing activities relating to electronic products. Before he joined the Group in 1993, he worked as merchandising manager with a sizeable electronic consumer products manufacturer for 2 years. He holds a bachelor degree in economics.

Mr. Paul NG, aged 46, is the senior marketing manager responsible for the Group's sales and marketing activities relating to electronic products. He has over 21 years' experience in sales and marketing. He joined the Group in 1988.

Mr. YIU Hei Man, aged 47, is the deputy factory manager, responsible for the Group's PCB manufacturing operations. Before joining the Group in 1995, he worked in an international electronic company in the USA for 16 years. He holds a bachelor degree in mechanical engineering.

Mr. FONG Wing Hon, aged 35, is the R & D manager, responsible for the Group's product design and development and technical support. He holds a bachelor degree in electronic engineering and has over 11 years' experience in production engineering. He joined the Group in 1996.



REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

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

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

SEGMENTED INFORMATION

An analysis of the Group's turnover and the contribution to profit/(loss) after finance costs by principal activity, and an analysis of turnover by geographical area according to principal activity, are as follows:

	Turnover		Contribution	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
By activity:				
Electronic products:				
Manufacture and sale of electronic products	455,973	399,529	49,034	15,246
Electronic components and parts:				
Manufacture and sale of PCBs	137,454	107,569	(6,565)	(40,376)
Trading and distribution of electronic components and parts	47,164	94,511	1,590	(9,475)
Trading of listed equity investments (Note)	9,690	–	(34,124)	–
Provision of loan financing	9,526	–	(4,937)	–
	659,807	601,609	4,998	(34,605)
Add: Gain on disposal of partial interest in subsidiaries			33,409	–
Less: Finance costs			(1,464)	(4,047)
PROFIT/(LOSS) AFTER FINANCE COSTS			36,943	(38,652)

Note: Included in the negative contribution of HK\$34,124,000 were net unrealised holding losses on short term investments of HK\$32,170,000.



REPORT OF THE DIRECTORS

SEGMENTED INFORMATION (Continued)

By geographical area according to principal activity:

	Notes	Turnover	
		2000 HK\$'000	1999 HK\$'000
Manufacture and sale of electronic products:			
Europe		54,080	51,895
North America		170,767	138,145
The People's Republic of China ("PRC"), including Hong Kong	1	98,403	85,220
Japan		115,557	108,850
Others	2	17,166	15,419
		455,973	399,529

	Note	Turnover	
		2000 HK\$'000	1999 HK\$'000
Manufacture and sale of PCBs:			
The PRC, including Hong Kong		120,555	100,244
North America		6,593	–
Others	3	10,306	7,325
		137,454	107,569

		Turnover	
		2000 HK\$'000	1999 HK\$'000
Trading and distribution of electronic components and parts:			
The PRC:			
Hong Kong		12,140	47,303
Elsewhere		35,024	47,208
		47,164	94,511



REPORT OF THE DIRECTORS

SEGMENTED INFORMATION (Continued)

	Turnover	
	2000 HK\$'000	1999 HK\$'000
Trading of listed equity investments: Hong Kong	9,690	–

	Turnover	
	2000 HK\$'000	1999 HK\$'000
Provision of loan financing: Hong Kong	9,526	–

Notes:

1. Sales in the PRC, including Hong Kong, were mainly to trading companies which, to the best of the directors' knowledge, resold the Group's electronic products worldwide. Sales to the PRC were made indirectly through Hong Kong trading companies.
2. These include sales to Australia, New Zealand, and countries in Latin America, the Middle East and other parts of Asia.
3. These include sales to Europe, Australia and South East Asia.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2000 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 27 to 64.

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



REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION

A summary of the results of the Group for the last five financial reporting years/period and of its assets and liabilities at the respective financial reporting year/period end dates, as extracted from the published audited financial statements of the Group, is set out below.

	Year ended 31 December 2000 HK\$'000	Year ended 31 December 1999 HK\$'000	Year ended 31 December 1998 HK\$'000	14 month period from 1 November 1996 to 31 December 1997 HK\$'000	Year ended 31 October 1996 HK\$'000
RESULTS					
TURNOVER	659,807	601,609	483,557	557,056	578,256
PROFIT/(LOSS) BEFORE TAX	36,943	(38,603)	(27,470)	13,737	79,244
Tax	(5,424)	(6,265)	988	(2,715)	(7,035)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	31,519	(44,868)	(26,482)	11,022	72,209
Minority interests	976	(30)	(4)	5	(314)
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	32,495	(44,898)	(26,486)	11,027	71,895



REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION (Continued)

	31 December 2000 HK\$'000	31 December 1999 HK\$'000	31 December 1998 HK\$'000	31 December 1997 HK\$'000	31 October 1996 HK\$'000
ASSETS AND LIABILITIES					
FIXED ASSETS	135,800	132,476	185,810	192,164	138,894
PREPAID RENTAL	5,588	6,324	7,061	7,798	8,658
RENTAL DEPOSITS	397	–	–	–	–
DEFERRED PRODUCT DEVELOPMENT COSTS	4,131	3,684	5,829	3,954	3,471
DEFERRED PRE-OPERATING EXPENSES	–	–	3,363	4,466	5,818
INTERESTS IN ASSOCIATES	–	42	23	–	–
CURRENT ASSETS	421,444	252,277	200,805	258,862	374,567
TOTAL ASSETS	567,360	394,803	402,891	467,244	531,408
CURRENT LIABILITIES	146,674	191,152	140,960	167,173	252,482
LONG TERM BANK BORROWINGS	–	–	13,247	16,944	21,257
LONG TERM LEASE PAYABLES	–	–	–	–	272
DEFERRED TAX	1,433	600	–	1,196	1,325
TOTAL LIABILITIES	148,107	191,752	154,207	185,313	275,336
MINORITY INTERESTS	42,177	8,836	8,806	8,802	8,809
NET ASSETS	377,076	194,215	239,878	273,129	247,263

FIXED ASSETS

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

SUBSIDIARIES

Details of the Company's subsidiaries are set out in note 14 to the financial statements.



REPORT OF THE DIRECTORS

BANK BORROWINGS

Details of the Group's bank borrowings are set out in note 21 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 24 to the financial statements.

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 25 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2000, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus of HK\$84,917,000 is distributable to shareholders in certain circumstances. In addition, the Company's share premium account in the amount of HK\$189,186,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 36% of the total sales for the year and sales to the largest customer included therein amounted to 13% of the total sales. Purchases from the Group's five largest suppliers accounted for approximately 43% of the total purchases for the year and purchases from the largest supplier included therein amounted to 16% of the total purchases.

As far as the directors are aware, neither the directors, their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) nor those shareholders (which, to the knowledge of the directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

PENSION COSTS

The pension scheme contributions made by the Group during the year amounted to HK\$1,271,000 and were in respect of employees of the Group in Hong Kong who were members of a defined contribution pension scheme. The total forfeited contributions during the year were HK\$153,000. At 31 December 2000, no forfeited contributions were available to reduce the Group's contributions to the pension scheme in future years.



REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Yau Tak Wah, Paul (<i>Chairman</i>)	
Mr. Tam Ping Wah	
Ms. Louie Mei Po	<i>(appointed on 1 February 2000)</i>
Ms. Wong Shin Ling, Irene	<i>(appointed on 1 February 2000)</i>
Mr. Tam Wing Kin	<i>(appointed on 1 February 2000)</i>
Mr. Yung Ip Ki	<i>(resigned on 1 February 2000)</i>
Mr. Tse Kam Fow	<i>(resigned on 1 February 2000)</i>
Mr. Chiu Wing Hong	<i>(resigned on 1 February 2000)</i>

Independent non-executive directors:

Mr. Ng Wai Hung	<i>(appointed on 31 March 2000)</i>
Mr. Cheung Chung Leung, Richard	<i>(appointed on 31 March 2000)</i>
Mr. Yam Po Wah	<i>(resigned on 18 February 2000)</i>
Mr. Alfred Donald Yap	<i>(resigned on 22 March 2000)</i>

In accordance with clause 87 of the Company's bye-laws, Mr. Tam Wing Kin and Ms. Wong Shin Ling, Irene will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Mr. Yau Tak Wah, Paul and Mr. Tam Ping Wah have entered into service contracts with the Company for a fixed term of three years from 21 July 1998 to 20 July 2001, which thereafter were terminable by either party upon the giving of six months' notice. During the year, on 26 April 2000, these two directors entered into new service contracts with the Company for a fixed term of three years from 26 April 2000 to 25 April 2003, which thereafter are terminable by either party upon the giving of six months' notice. The new service contracts supersede all previous agreements and arrangements relating to these directors' employment.

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



REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN SHARES

At 31 December 2000, the interests of the directors in the listed securities of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Director	Notes	Nature of interest	Number of shares
Mr. Yau Tak Wah, Paul	1	Corporate	49,674,000
Mr. Tam Ping Wah	2	Corporate	80,000

Notes:

1. These shares were held through Pacific Shore Profits Limited, a company beneficially owned by Mr. Yau Tak Wah, Paul.
2. These shares were held through Strong Trend International Limited, a company beneficially owned by Mr. Tam Ping Wah.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interest in the equity securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

The Company has a share option scheme, which was approved on 21 July 1995, under which the directors may grant options to executive directors and employees of the Group to subscribe for up to 10% of the nominal amount of the issued share capital of the Company.

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

- (a) On 11 February 2000, 7,900,000 share options were granted to Ms. Louie Mei Po to subscribe for a total of 7,900,000 shares of the Company at an exercise price of HK\$0.68 per share. These share options are exercisable within three years from 11 August 2000.
- (b) On 20 March 2000, 6,600,000 and 3,600,000 share options were granted to Ms. Louie Mei Po and Ms. Wong Shin Ling, Irene, respectively, to subscribe for a total of 10,200,000 shares of the Company at an exercise price of HK\$0.488 per share. These share options are exercisable within three years from 20 September 2000.
- (c) On 2 May 2000, 3,000,000, 6,400,000 and 3,000,000 share options were granted to Ms. Louie Mei Po, Ms. Wong Shin Ling, Irene, and Mr. Tam Ping Wah, respectively, to subscribe for a total of 12,400,000 shares of the Company at an exercise price of HK\$0.27 per share. These share options are exercisable within three years from 2 November 2000.



REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES (Continued)

None of the above share options was exercised during the year and a summary of share options held by each director is as follows:

Directors	Number of share options outstanding at 31 December 2000	Exercise Period	Exercise price per share HK\$
Ms. Louie Mei Po	7,900,000	11/8/2000-10/8/2003	0.680
	6,600,000	20/9/2000-19/9/2003	0.488
	3,000,000	2/11/2000-1/11/2003	0.270
Ms. Wong Shin Ling, Irene	3,600,000	20/9/2000-19/9/2003	0.488
	6,400,000	2/11/2000-1/11/2003	0.270
Mr. Tam Ping Wah	3,000,000	2/11/2000-1/11/2003	0.270

Apart from the foregoing, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age, to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

REMUNERATION OF DIRECTORS AND OF THE FIVE HIGHEST PAID INDIVIDUALS

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

DIRECTORS' INTERESTS IN CONTRACTS

Details of contracts during the year in which the directors were interested are set out in note 29 to the financial statements.



REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, the following interest of 10% or more in the issued share capital of the Company was recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of SDI the Ordinance.

Name	Number of ordinary shares held	Percentage of issued share capital
Winspark Venture Limited (<i>Note</i>)	212,262,000	25.72

Note: The entire issued share capital of Winspark Venture Limited is beneficially owned by Mr. Chan Yuen Ming.

Save as disclosed above, no other person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

CONNECTED PARTY TRANSACTIONS

Details of the connected party transactions are set out in note 29 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") in 1999 in compliance with the requirements of the Code of Best Practice as set out in Appendix 14 of the Listing Rules. Mr. Yam Po Wah and Mr. Alfred Donald Yap were appointed as members upon the establishment of the Audit Committee. On 18 February 2000 and 22 March 2000, Mr. Yam Po Wah and Mr. Alfred Donald Yap, respectively, resigned as members of the Audit Committee. On 31 March 2000, Mr. Ng Wai Hung and Mr. Cheung Chung Leung, Richard were appointed as members of the Audit Committee. The work of the Audit Committee has covered the full financial year ended 31 December 2000.

CODE OF BEST PRACTICE

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



REPORT OF THE DIRECTORS

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Yau Tak Wah, Paul

Chairman

Hong Kong

20 April 2001



REPORT OF THE AUDITORS



To the members

Tomorrow International Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 27 to 64 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

20 April 2001



CONSOLIDATED PROFIT AND LOSS ACCOUNT YEAR ENDED 31 DECEMBER 2000

	Notes	2000 HK\$'000	1999 HK\$'000
TURNOVER	3	659,807	601,609
Cost of sales		(529,310)	(491,792)
Gross profit		130,497	109,817
Other revenue		10,305	6,068
Gain on disposal of partial interest in subsidiaries		33,409	–
Surplus/(deficit) on revaluation of leasehold land and buildings	11	848	(22,937)
Distribution costs		(11,910)	(15,390)
Administrative expenses		(77,517)	(94,868)
Net unrealised holding losses on short term investments		(32,170)	–
Other operating expenses		(15,055)	(17,295)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	38,407	(34,605)
Finance costs	5	(1,464)	(4,047)
PROFIT/(LOSS) AFTER FINANCE COSTS		36,943	(38,652)
Share of profits less losses of associates		–	49
PROFIT/(LOSS) BEFORE TAX		36,943	(38,603)
Tax	8	(5,424)	(6,265)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		31,519	(44,868)
Minority interests		976	(30)
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	9, 25	32,495	(44,898)
EARNINGS/(LOSS) PER SHARE	10		
Basic		4.68 cents	(10.22 cents)
Diluted		4.68 cents	N/A



CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

YEAR ENDED 31 DECEMBER 2000

	Note	2000 HK\$'000	1999 HK\$'000
Exchange differences on translation of the financial statements of foreign subsidiaries	25	920	–
Deficit on revaluation of leasehold land and buildings	25	–	(765)
Net gain/(loss) not recognised in the profit and loss account		920	(765)
Net profit/(loss) for the year		32,495	(44,898)
Total recognised gains and losses		33,415	(45,663)



CONSOLIDATED BALANCE SHEET 31 DECEMBER 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	11	135,800	132,476
Prepaid rental	12	5,588	6,324
Rental deposits		397	–
Deferred product development costs	13	4,131	3,684
Interests in associates	15	–	42
		145,916	142,526
CURRENT ASSETS			
Cash and bank balances		36,181	44,860
Time deposits		108,406	26,177
Accounts receivable	16	64,309	58,310
Bills receivable		3,440	3,767
Loans receivable	17	44,000	–
Interest receivable on loans		1,572	–
Prepayments, deposits and other receivables		26,751	20,417
Short term investments	18	35,500	–
Properties held for sale	19	19,802	22,000
Inventories	20	81,483	75,588
Due from an associate	15	–	1,158
		421,444	252,277
CURRENT LIABILITIES			
Bank borrowings	21	6,105	30,181
Accounts payable	22	99,065	128,069
Bills payable		1,049	–
Accrued liabilities and other payables		26,158	20,969
Tax payable		14,297	7,907
Due to an associate	15	–	4,026
		146,674	191,152
NET CURRENT ASSETS		274,770	61,125



CONSOLIDATED BALANCE SHEET 31 DECEMBER 2000

(Continued)

	<i>Notes</i>	2000 HK\$'000	1999 <i>HK\$'000</i>
<hr/>			
TOTAL ASSETS LESS CURRENT LIABILITIES		420,686	203,651
NON-CURRENT LIABILITY			
Deferred tax	23	1,433	600
MINORITY INTERESTS		42,177	8,836
<hr/>			
		377,076	194,215
<hr/>			
CAPITAL AND RESERVES			
Share capital	24	82,523	43,923
Reserves	25	294,553	150,292
<hr/>			
		377,076	194,215
<hr/>			

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Yau Tak Wah, Paul
Director

Tam Ping Wah
Director



CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2000

	Notes	2000 HK\$'000	1999 HK\$'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	26(a)	(48,657)	83,273
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		6,053	1,866
Interest paid		(1,464)	(4,047)
Net cash inflow/(outflow) from returns on investments and servicing of finance		4,589	(2,181)
TAX			
Hong Kong profits tax refunded		1,997	223
PRC tax paid		(198)	(54)
		1,799	169
INVESTING ACTIVITIES			
Purchases of fixed assets		(20,195)	(27,082)
Proceeds from disposals of fixed assets		554	406
Payment of rental deposits		(397)	–
Purchases of properties held for sale	26(c)	(12,802)	–
Proceeds from disposals of properties held for sale		22,000	–
Proceeds from disposal of associates		1,200	–
Net cash outflow from investing activities		(9,640)	(26,676)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		(51,909)	54,585
FINANCING ACTIVITIES	26(b)		
Proceeds from issue of share capital		152,780	–
Share issue expenses		(3,334)	–
Repayment of mortgage loan		(13,247)	(3,697)
Net cash inflow/(outflow) from financing activities		136,199	(3,697)



CONSOLIDATED CASH FLOW STATEMENT YEAR ENDED 31 DECEMBER 2000

(Continued)

	2000 HK\$'000	1999 HK\$'000
INCREASE IN CASH AND CASH EQUIVALENTS	84,290	50,888
Cash and cash equivalents at beginning of year	54,103	3,215
Effect of foreign exchange rate changes, net	89	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	138,482	54,103
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	36,181	44,860
Time deposits	108,406	26,177
Trust receipt loans	(6,105)	(16,934)
	138,482	54,103



BALANCE SHEET 31 DECEMBER 2000

	<i>Notes</i>	2000 HK\$'000	1999 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	11	83	25
Interests in subsidiaries	14	237,375	194,417
		237,458	194,442
CURRENT ASSETS			
Cash and bank balances		152	482
Time deposits		108,406	–
Prepayments, deposits and other receivables		1,295	222
Tax recoverable		52	–
		109,905	704
CURRENT LIABILITIES			
Accrued liabilities and other payables		1,816	931
NET CURRENT ASSETS/(LIABILITIES)		108,089	(227)
		345,547	194,215
CAPITAL AND RESERVES			
Share capital	24	82,523	43,923
Reserves	25	263,024	150,292
		345,547	194,215

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Yau Tak Wah, Paul
Director

Tam Ping Wah
Director



1. CORPORATE INFORMATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

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

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Associates

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

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



(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill and capital reserve

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

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

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

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost or valuation less accumulated depreciation.

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

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

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

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



(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation (Continued)

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

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

Deferred product development costs

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

Short term investments

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

Properties held for sale

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

Inventories

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



(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories (Continued)

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

Deferred tax

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

Operating leases

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

Staff retirement scheme

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

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

Related parties

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



(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash and bank balances and time deposits represent assets which are not restricted as to use.

Revenue recognition

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

- (a) the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) interest, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (c) the sale of listed equity investments, on the trade day; and
- (d) the sale of property, when the legally binding sales contract is signed.

Foreign currencies

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

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

3. TURNOVER

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

3. TURNOVER (Continued)

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

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

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

5. FINANCE COSTS

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

6. DIRECTORS' REMUNERATION

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

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

The remuneration of the directors fell within the following bands:

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

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



(Continued)

6. DIRECTORS' REMUNERATION (Continued)

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

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

7. FIVE HIGHEST PAID EMPLOYEES

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

8. TAX

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

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

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

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

9. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

10. EARNINGS/(LOSS) PER SHARE

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

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

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

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

(Continued)

11. FIXED ASSETS

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

11. FIXED ASSETS (Continued)

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

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

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

11. FIXED ASSETS (Continued)

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

12. PREPAID RENTAL

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

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

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

13. DEFERRED PRODUCT DEVELOPMENT COSTS

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

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14. INTERESTS IN SUBSIDIARIES

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

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

14. INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the subsidiaries are as follows:

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

14. INTERESTS IN SUBSIDIARIES (Continued)

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

14. INTERESTS IN SUBSIDIARIES (Continued)

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

14. INTERESTS IN SUBSIDIARIES (Continued)

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

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

15. INTERESTS IN ASSOCIATES

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

16. ACCOUNTS RECEIVABLE

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

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

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

17. LOANS RECEIVABLE

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

18. SHORT TERM INVESTMENTS

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

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

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

19. PROPERTIES HELD FOR SALE

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

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

20. INVENTORIES

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

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21. BANK BORROWINGS

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

An analysis of the bank borrowings is as follows:

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

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



(Continued)

22. ACCOUNTS PAYABLE

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

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

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

23. DEFERRED TAX

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

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

24. SHARE CAPITAL

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

There was no repurchase of any shares during the year.

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

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



(Continued)

24. SHARE CAPITAL (Continued)

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

Share options

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

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

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

24. SHARE CAPITAL (Continued)

Share options (Continued)

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

25. RESERVES

Group

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

25. RESERVES (Continued)

Company

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

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

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

26. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

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

(c) Major non-cash transactions

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



NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

(Continued)

27. CONTINGENT LIABILITIES

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

28. COMMITMENTS

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

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



(Continued)

29. CONNECTED AND RELATED PARTY TRANSACTIONS

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

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

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

30. APPROVAL OF THE FINANCIAL STATEMENTS

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

