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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Professor Wang Xuan (*Chairman*)
Mr Cheung Shuen Lung (*President*)
Professor Wei Xin
Mr Zhang Zhao Dong
Professor Xiao Jianguo
Mr Lei Hon Sang
Mr Lo Siu Yu

Independent non-executive directors

Dr Hu Hung Lick, Henry
Mr Li Fat Chung

COMPANY SECRETARY

Ms Tang Yuk Bo, Yvonne

REGISTERED OFFICE

Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1408, 14th Floor
Cable TV Tower
9 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

PRINCIPAL BANKERS

The Bank of China (Hong Kong) Limited
Fortis Bank Asia HK

LEGAL ADVISER

Koo and Partners

AUDITORS

Ernst & Young
Certified Public Accountants

SHARE REGISTRARS AND TRANSFER OFFICE

Principal registrars:

Butterfield Corporate Services Limited
Rosebank Centre
14 Bermudiana Road
Hamilton
Bermuda

Hong Kong branch share registrars and transfer office:

Central Registration Hong Kong Limited
Suite 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE ADDRESS

<http://www.founder.com.hk>

FINANCIAL HIGHLIGHTS

YEAR	2001	2000	1999	1998	1997
Turnover (<i>HK\$' million</i>)	1,670	2,088	1,583	2,164	1,973
Total assets (<i>HK\$' million</i>)	1,096	1,484	1,159	1,163	1,363
Total liabilities (<i>HK\$' million</i>)	688	716	601	491	499
Net assets (<i>HK\$' million</i>)	408	768	558	672	864
Net asset value per share (<i>HK\$</i>)	0.36	0.68	0.50	0.84	1.23
Working capital ratio	1.37	1.84	1.71	2.02	2.16
Long term debt to equity ratio	0.008	0.005	0.008	0.011	0.014
Total number of staff (As at the end of the year)	2,520	2,673	2,400	2,900	2,800

OFFICE LOCATIONS OF THE GROUP



EVENTS OF THE YEAR

February 2001

Achievement of state-level recognition for Founder's font products

Our self-developed Founder GB18030 Char-set Font and Founder Super-set Font (with 56,000 Chinese Characters) received a state-level recognition from the State News and Publishing Bureau, the State Language Committee and the China National Printing Font Committee, which is the first time for a font product in the PRC to have a state-level recognition after the promulgation of the latest Nation-wide Chinese Character Standard for Computer Usage, GB18030-2000.

April 2001

Official approval for the listing of PUC Founder (MSC) Berhad

PUC Founder (MSC) Berhad ("MSC") received official approval from Malaysia's Securities Commission for listing on the Malaysian Exchange of Securities Dealing & Automated Quotation Bhd.

Provision of publishing systems to Singapore's premier news publisher

A software and service provision contract was entered into between MSC and Singapore Press Holdings Limited, Singapore's largest news publisher and premier information provider, for the provision of publishing systems to cover the latter's across-the-board digitalization needs in news editing and typesetting.

Launch of network publishing solutions, Founder Apabi eBook Solutions

Developed by Beijing Founder Electronics Company Limited, our network publishing solutions, Founder Apabi eBook Solutions, were launched, thus leading to the new era of no-paper information distribution in the PRC. Made up of Apabi Writer, Apabi Maker, Apabi Rights Server, Apabi Retail Server and Apabi Reader, the Solutions have been well received by many renowned PRC publishers.

October 2001

Achievement of major contracts from PRC's government bodies

Contracts were signed by Beijing Founder Order Computer System Company Limited for the development of a "Postal-district Integrated Operation System" (郵區中心局生產作業系統) for the China State Post Bureau and a nation-wide Wide Area Network (WAN) for the Ministry of Civil Affairs of the PRC.

November 2001

Launch of the first Malaysia-made fingerprint products, FingerTecTM-601

MSC officially launched its fingerprint-based attendance and access control product, FingerTecTM-601 which is the first set of Malaysia-made biometric security products.

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

The Group's audited consolidated loss after tax and minority interests for the year ended 31 December 2001 amounted to HK\$384 million while turnover for the year ended 31 December 2001 amounted to HK\$1,670 million.

DIVIDENDS

The Board of Directors does not recommend the payment of any dividend in respect of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING REVIEW AND PROSPECTS

Operating results for the year

(A) Software development and systems integration

Media sector

The Group recorded a decrease of 18% in turnover of the software development and systems integration business in the media sector in 2001 as compared to previous year. The Group also recorded a loss contribution of HK\$54 million in this sector in 2001 as compared to previous year's loss contribution of HK\$36 million before taking account of previous year's gains on disposal of subsidiaries of HK\$82 million and gain on deemed disposal of a subsidiary of HK\$63 million. The holding-up or decreasing capital expenditure for new systems and/or up-grading demands by our customers as a result of the slowdown of the overall global economy in 2001 led to the drop in turnover and the setback of the performance of this sector.

With the support of our strong research and development team, the Group has continued to introduce a number of new products to its customers in 2001. Our new products include Founder Fei-hong Yellow-page Typesetting System (方正飛鴻號簿排版系統), Founder Victory Editorial System for Magazine (方正文采四溢期刊生產系統), Founder Tian-jiao Internet Audio & Video Integrated Solution (方正天驕互聯網視音頻整體解決方案), Founder Tian-yi News Management System for Radio and Television Stations (方正天翼新聞業務管理系統) and various management systems for publishing companies. In April 2001 the Group has also launched its network publishing solutions, Founder Apabi eBook Solutions, which has been well received by many renowned PRC publishers such as Peking University Press (北京大學出版社), Tsinghua University Press (清華大學出版社) and Fudan University Press (復旦大學出版社).

In February 2001 our self-developed Founder GB18030 Char-set Font and Founder Super-set Font (with 56,000 Chinese characters) received a state-level recognition granted by the State News and Publishing Bureau, the State Language Committee and the China National Printing Font Committee. This is the first time for a font product in the PRC to have a state-level recognition after the promulgation of the latest Nation-wide Chinese Character Standard for Computer Usage, GB18030-2000.

CHAIRMAN'S STATEMENT

In January 2002 we have streamlined our operating team and have tightened our cost control measures in order to enhance our competitiveness and productivity. Coupled with the on-going introduction of new products to the market, we are confident that we can improve our performance in this sector and maintain our market leader position in Chinese electronic publishing systems.

Non-media sector

The Group recorded a substantial loss from our software development and systems integration business in the non-media sector for the year ended 31 December 2001. The substantial loss of this sector was principally attributable to the following reasons:

1. Unexpected slow down in sales orders especially from the banking sector, thus resulting in the drop in turnover by 58% if compared to the previous year;
2. Drop in gross margin as a result of severe market competition;
3. Delay in the completion of certain sales contracts, thus leading to the profit of a number of sales contracts not be realised in 2001 as scheduled ;
4. Over-expansion of our operational team, thus resulting in the surge in operating expenses; and
5. Restructuring costs such as severance payments and compensation pay.

In the last quarter of 2001, we started to restructure the management and operation of our non-media business. We have tightened the control over contract management and implemented a number of cost control measures. We have streamlined our operational team and reduced headcount by nearly 50% in order to reduce our operating expenses. In view of the sizable contracts in progress and the implementation of our restructuring program in the last few months, we believe that we can improve our performance in the coming year.

CHAIRMAN'S STATEMENT

(B) Distribution of information products

The economy uncertainties have slowed down the corporate demand for information products in 2001. To boom our sales to digest our inventories and to face keen market competition, we suffered from price cut and drop in profitability. The turnover of our distribution business of information products recorded a moderate growth of 5% in 2001 as compared to previous year. However, the drop in gross profit led to the increase in loss contribution from HK\$16 million in previous year to HK\$77 million in 2001.

In mid of 2001, we have implemented an ERP system to monitor our inventories and trade debtors more effectively, thus improving the efficiency of our distribution business. We have achieved great progress on the sales of our own-brand scanner since its introduction to the market in the summer of 2000. At present, our scanner is named as one of the top three best sellers of scanners in the PRC in terms of market share. In late 2001 we adopted various measures such as staff reduction to enhance our competitiveness. The management is of the view that continuous working capital support and further market penetration in terms of business volume and market share are required to strengthen our distribution business. Accordingly, a heads of agreement for the establishment of a joint venture company for our distribution business was signed in December 2001.

(C) Provision of e-commerce services

The provision of e-commerce services is carried out through our associated company, EC-Founder (Holdings) Company Limited ("EC-Founder"). EC-Founder positions itself as a software solutions and service provider on the following areas: (a) network security products and solutions, (b) geographic information system, (c) e-finance and (d) enterprise/government information solutions.

EC-Founder has successfully developed and patented its network security product, FireGate Firewall(方御防火牆) in March 2001 which was the first firewall product in China to pass the stringent tests of the PRC Public Security Ministry (國家公安部), the PLA(軍隊) and the National Security Bureau (國家保密局). In the same month EC-Founder has also launched its self-developed geographic information system, Founder Mirage (方正智繪) which is being used by the China Industrial and Commercial Bank in the PRC. In April 2001 EC-Founder was granted contracts from the China Construction Bank for the development of a business-to-business clearing platform which was substantially completed in late 2001.

CHAIRMAN'S STATEMENT

Employees

The total number of employees of the Group as at 31 December 2001 was 2,520 (2000: 2,673), out of which 2,278 (2000: 2,492) employees were stationed in the PRC. The following are the numbers of employees as at 31 December 2001 categorised according to their functions:

Sales and marketing	605
After-sales services	264
Research and development	935
Accounting and finance	218
Administration and management	424
Others	74
	<hr/>
	2,520
	<hr/>

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

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

Contracts on hand

As at 31 December 2001, the major contracts on hand for the software development and systems integration business amounted to approximately HK\$444 million, out of which approximately HK\$388 million was not yet completed.

CHAIRMAN'S STATEMENT

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2001, the Group recorded total assets of approximately HK\$1,096 million which were financed by liabilities of approximately HK\$688 million and equity of approximately HK\$408 million. The Group's net asset value per share as at 31 December 2001 was HK\$0.36 per share as compared to HK\$0.68 per share as at 31 December 2000.

The Group had a total cash and bank balance of approximately HK\$306 million as at 31 December 2001. After deducting bank loans and overdrafts of approximately of HK\$181 million, the Group recorded a net cash balance of approximately HK\$125 million as compared to HK\$196 million as at 31 December 2000. As at 31 December 2001, the Group had a working capital ratio of 1.37 (2000: 1.84) and a current liabilities to equity ratio of 1.61 (2000: 0.89) with equity being defined as the total of capital and reserves.

Charges on assets

At 31 December 2001 all the land and buildings in Hong Kong and certain investment properties of the Group and fixed deposits of approximately HK\$42.8 million were pledged to banks to secure banking facilities granted.

Treasury policies

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

Contingent liabilities

At 31 December 2001 the Company had contingent liabilities in relation to guarantees given to banks in connection with facilities granted to certain subsidiaries amounting to approximately HK\$59 million.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to thank our suppliers, customers and bankers for their continuing support and to thank our business partners and all staff for their hard work and dedication in the past year.

Wang Xuan

Chairman

23 April 2002

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Professor Wang Xuan, aged 65, is the Chairman of the Company. He is a professor of Peking University and one of the founders of the Group. He graduated from the Department of Mathematics at Peking University in 1958, and lectured and carried out research work at Peking University thereafter. Professor Wang is the winner of the State Supreme Science & Technology Award 2001 and a member of the Science Academy of China. He is also a member of the Standing Committee of the Ninth National People's Congress ("NPC") and the vice-chairman of NPC Education, Science, Culture and Public Health Committee. He is currently the director of the Institute of Computer Science and Technology at Peking University.

Mr Cheung Shuen Lung, aged 46, is the President of the Company and the Chairman of EC-Founder (Holdings) Company Limited. He is a research fellow of the Enterprise Research Institute at Peking University and one of the founders of the Group. He has extensive experience in the information technology industry.

Professor Wei Xin, aged 46, is an executive director of the Company and EC-Founder (Holdings) Company Limited. He is the Chairman of Peking University Founder Group Corporation, Chairman and President of Shanghai Founder Yanzhong Science & Technology Group Co., Ltd. Professor Wei graduated from the College of Economics at Peking University. He is also the Executive Dean of College of Education at Peking University.

Mr Zhang Zhao Dong, aged 52, is an executive director of the Company and the Vice Chairman and President of Peking University Founder Group Corporation. Mr Zhang graduated from the Department of Geophysics at Peking University in 1977 and is a research fellow at Peking University.

Professor Xiao Jianguo, aged 45, is an executive director of the Company and the Chairman of Beijing Founder Electronics Company Limited. He is a professor and a supervisor of PhD students of Peking University. He graduated from the Department of Computer Science at the College of Dalian Ocean Communication with a bachelor degree in 1982 and obtained a master degree in Computer Science at Peking University. He is also the Vice Chairman of Peking University Founder Group Corporation.

Mr Lei Hon Sang, aged 43, is an executive director of the Company and the President of EC-Founder (Holdings) Company Limited. He graduated from the Department of Computer Technology and Applied Mathematics of University of Hong Kong in 1983 and has extensive experience in the information technology industry.

Mr Lo Siu Yu, aged 36, is an executive director of the Company. He graduated from Peking University with a bachelor degree in Computer Science in 1987 and obtained a master degree from the Institute of Psychology of the Science Academy of China in 1990. He is one of the founders of Beijing Founder Order Computer System Company Limited and has extensive experience in computer systems integration of the financial industry.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr Hu Hung Lick, Henry, G.B.S., O.B.E., PhD, J.P., aged 82, has been practicing as barrister for over 47 years and is currently the President of Shue Yan College in Hong Kong, and a member of the Standing Committee of the Chinese People's Political Consultative Congress and the China International Economic and Trade Arbitration Commission. Dr Hu is also an adviser to the China Research Committee of Juvenile Delinquency.

Mr Li Fat Chung, aged 41, is a partner of Chan, Li, Law & Co., Certified Public Accountants, in Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, the Hong Kong Society of Accountants and the Taxation Institute of Hong Kong. Mr Li received a master degree in Business Administration from University of Warwick, England.

SENIOR MANAGEMENT

Ms Kwok Leung Chu, aged 37, is the Vice President of the Company and the General Manager, Administration Department of Founder (Hong Kong) Limited. She obtained a master degree in Business Administration from Murdoch University, Australia in 2001. She is currently responsible for the administration function of Founder (Hong Kong) Limited.

Mr Fung Man Yin, Sammy, aged 42, is the Group Financial Controller of the Company. He is a fellow member of the Institute of Chartered Accountants in England and Wales and an associate member of the Hong Kong Society of Accountants. He is also a Certified Public Accountant in Hong Kong. Mr Fung holds a bachelor degree in Economics and Accounting from University of Newcastle Upon Tyne, England and worked with several international accounting firms in England and Hong Kong over 10 years. Before joining the Group in October 2000, he was the Group Financial Controller of a listed company in Hong Kong over 8 years.

Mr Guan Xiang Hong, aged 35, is the President of Founder International Inc. and a senior engineer certified by the Ministry of International Trade and Industry of Japan. He graduated from the Electrical Engineering Department of Peking University and has extensive experience in the factory automation and electronic publishing industry in Japan. He is mainly responsible for the Group's operations in Japan and South Korea.

Mr See Chiu Yeung, aged 35, is the President Assistant and the Regional Business General Manager of Founder (Hong Kong) Limited. He graduated from the Faculty of Electronic Engineering at Morrison Hill Technical Institute, Hong Kong in 1989 and obtained a master degree in Business Administration from Murdoch University, Australia in 2001. He has extensive experience in electronic publishing industry and is currently responsible for strategic planning and business development of the local and overseas business of Founder (Hong Kong) Limited.

Mr Teh Hon Seng, aged 38, graduated with a bachelor degree in Applied Science from University Sains Malaysia and has extensive experience in the computer and electronic publishing industry. He joined the Group in 1995 and is currently the Managing Director of PUC Founder (M) Sdn Bhd and PUC Founder (MSC) Berhad. He is responsible for the Group's operations in South East Asia.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting of Founder Holdings Limited (the “Company”) will be held at Unit 1408, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong on 24 May 2002 at 11:00 a.m., for the following purposes:

1. To receive and consider the audited financial statements and the directors’ and auditors’ reports of the Company for the year ended 31 December 2001.
2. To re-elect the retiring directors and to fix the remuneration of directors.
3. To re-appoint auditors and to authorize the board of directors to fix their remuneration.

ORDINARY RESOLUTIONS

As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

4. **“THAT:—**

- (A) subject to paragraph (B) of this Resolution no. 4 below, the exercise by the directors of the Company during the Relevant Period (as defined in paragraph (C) of this Resolution no. 4 below) of all the powers of the Company to purchase Shares (as defined in paragraph (C) of this Resolution no. 4 below) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) or on any other stock exchange on which the Shares may be listed and which is recognized for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange, subject to and in accordance with all applicable laws, including the Hong Kong Code on Share Repurchases and the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange (as amended from time to time), be and is hereby generally and unconditionally approved;
- (B) the aggregate nominal amount of Shares which may be purchased or agreed conditionally or unconditionally to be purchased pursuant to the approval in paragraph (A) of this Resolution no. 4 above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution no. 4, and the said approval be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

- (C) for the purposes of this Resolution no. 4:—
 - (i) “Relevant Period” means the period from (and including) the passing of this Resolution no. 4 until whichever is the earliest of:—
 - (a) the conclusion of the next annual general meeting of the Company;
 - (b) 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 law to be held; or
 - (c) the revocation or variation of this Resolution no. 4 by an ordinary resolution of the shareholders of the Company in general meeting; and
 - (ii) “Shares” means shares of all classes in the capital of the Company and warrants and other securities which carry a right to subscribe or purchase shares in the Company.”

5. **“THAT:—**

- (A) subject to paragraph (B) of this Resolution no. 5 below, the exercise by the directors of the Company during the Relevant Period (as defined in paragraph (C) of this Resolution no. 5 below) of all the powers of the Company to allot, issue, grant, distribute and otherwise deal with additional Shares (as defined in paragraph (C) of this Resolution no. 5 below) and to make, issue or grant offers, agreements, options, warrants and other securities which might require Shares to be allotted, issued, granted, or distributed or otherwise dealt with during or after the end of the Relevant Period, be and is hereby generally and unconditionally approved;
- (B) the aggregate nominal amount of share capital allotted, issued, granted, distributed or otherwise dealt with or agreed conditionally or unconditionally to be allotted, issued, granted, distributed or otherwise dealt with (whether pursuant to an option, conversion or otherwise) by the directors of the Company pursuant to the approval in paragraph (A) of this Resolution no. 5 above, otherwise than pursuant to:—
 - (i) a Rights Issue (as defined in paragraph (C) of this Resolution no. 5 below);
 - (ii) the grant of options under the share option scheme of the Company or the exercise of any of the subscription rights attaching to any options that have been or may be granted thereunder;

NOTICE OF ANNUAL GENERAL MEETING

- (iii) the exercise of rights of subscription or conversion under the terms of any warrant issued by the Company or any securities which are convertible into Shares; or
- (iv) any scrip dividend scheme or similar arrangement providing for allotment of Shares in lieu of the whole or part of any dividend on Shares in accordance with the bye-laws of the Company,

shall not exceed the aggregate of:

- (a) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution no. 5; and
- (b) (if the directors of the Company are so authorised by a separate resolution of the shareholders of the Company) the aggregate nominal amount of the share capital of the Company purchased by the Company subsequent to the passing of this Resolution no. 5 (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution no. 5),

and the said approval shall be limited accordingly; and

(C) for the purposes of this Resolution no. 5:—

- (i) “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:—
 - (a) the conclusion of the next annual general meeting of the Company;
 - (b) 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 law to be held; and
 - (c) the revocation or variation of this Resolution no. 5 by an ordinary resolution of the shareholders of the Company in general meeting;
- (ii) “Shares” means shares of all classes in the capital of the Company and warrants and other securities which carry a right to subscribe or purchase shares in the Company; and

NOTICE OF ANNUAL GENERAL MEETING

- (iii) “Rights Issue” means an offer of Shares open for a period fixed by the directors of the Company to holders of Shares on the register of members (and, if appropriate, to the holders of warrants and other securities which carry a right to subscribe or purchase shares in the Company on the relevant register) on a fixed record date in proportion to their then holdings of such Shares (and, if appropriate, such warrants and other securities), (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any legal or practical restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any jurisdiction or territory applicable to the Company).”
6. “**THAT** subject to the passing of Resolutions nos. 4 and 5 set out in this Notice, the exercise by the directors of the Company of the powers referred to in paragraph (A) of Resolution no. 5 in respect of the share capital of the Company referred to in sub-paragraph (b) of paragraph (B) of Resolution no. 5, be and is hereby approved and authorised.”
7. “**THAT** subject to and conditional upon the Stock Exchange granting approval for the listing of and permission to deal in the shares which may fall to be issued by the Company pursuant to the exercise of options granted under the New Holding Share Option Scheme (as defined in the circular to be despatched to the shareholders of the Company), the New Holding Share Option Scheme (the rules of which are set out in the printed document marked “A” produced to this meeting and for the purpose of identification signed by the Chairman) be and is hereby approved and adopted in replacement of the existing share option scheme adopted by the Company on 30 March 2000 (the “Existing Holding Share Option Scheme”) and that the board of directors of the Company be and is hereby authorised to do all such acts and to take all such steps and actions and to execute all such documents on behalf of the Company as may be necessary or expedient in order to give effect to the New Holding Share Option Scheme, including without limitation, to issue and allot shares in the capital of the Company on terms therein mentioned.”
8. “**THAT** subject to and conditional upon the passing of Resolution no. 7 set out in this Notice and the New Holding Share Option Scheme taking effect in accordance with its terms, the Existing Holding Share Option Scheme be hereby terminated.”

NOTICE OF ANNUAL GENERAL MEETING

9. **“THAT** subject to and conditional upon the shareholders of Founder International Inc., being a subsidiary of the Company, (“Subsidiary”) having approved the New Subsidiary Share Option Scheme (as defined in the circular to be despatched to the shareholders of the Company), the New Subsidiary Share Option Scheme (the rules of which are set out in the printed document marked “B” produced to this meeting and for the purpose of identification signed by the Chairman) be and is hereby approved and adopted in replacement of the existing share option scheme adopted by the Subsidiary on 16 December 2000 (the “Existing Subsidiary Share Option Scheme”) and that the directors of the Subsidiary be and are hereby authorised to do all such acts and to take all such steps and actions and to execute all such documents on behalf of the Subsidiary as may be necessary or expedient in order to implement the same, including without limitation, to issue and allot shares in the capital of the Subsidiary on terms therein mentioned.”
10. **“THAT** subject to and conditional upon the passing of Resolution no. 9 set out in this Notice and the New Subsidiary Share Option Scheme taking effect in accordance with its terms, the Existing Subsidiary Share Option Scheme be hereby terminated.”

By Order of the Board
Tang Yuk Bo, Yvonne
Company Secretary

Hong Kong, 23 April 2002

Notes:

1. Any member entitled to attend and vote at the annual general meeting is entitled to appoint another person as his proxy to attend and, on a poll, vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.
2. Where there are joint holders of any share, any one of such joint holders may vote at the annual general meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders is present at the annual general meeting, then one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
3. To be valid, the instrument appointing a proxy, together with a 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 principal place of business in Hong Kong at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting (as the case may be). Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or at any adjourned meeting.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to results by business segments and geographical segments for the year ended 31 December 2001 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2001 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 78.

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 80 of the annual report. This summary does not form part of the audited financial statements.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in note 13 to the financial statements. Further details of the Group's investment properties are set out on page 79 of the annual report.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

REPORT OF THE DIRECTORS

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 31 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2001, the Company's reserves available for distribution amounted to approximately HK\$250,489,000. In addition, the Company's share premium account, in the amount of approximately HK\$27,660,000, 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 less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 37% (2000: 31%) of the total purchases for the year and purchase from the largest supplier included therein amounted to 9% (2000: 13%).

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

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Wang Xuan

Cheung Shuen Lung

Wei Xin

Zhang Zhao Dong

Xiao Jianguo (appointed on 31 May 2001)

Lei Hon Sang

Lo Siu Yu

Independent non-executive directors:

Hu Hung Lick, Henry

Li Fat Chung

In accordance with the bye-laws of the Company, Wei Xin, Xiao Jianguo and Hu Hung Lick, Henry will retire and being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 12 of the annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Wei Xin has entered into a service contract with the Company for a term of five years commencing on 31 March 2000. Xiao Jianguo has entered into a service contract with the Company for a term of two years commencing on 31 May 2001. These service contracts are subject to termination by either the director concerned, or the Company giving to the other not less than one year's written notice.

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

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2001, the interests of the directors in the share capital of EC-Founder (Holdings) Company Limited ("EC-Founder"), the Company's associated corporation, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of director	Number of ordinary shares held and nature of interest
	Personal
Cheung Shuen Lung	36,890,100
Wei Xin	3,956,000
Zhang Zhao Dong	3,956,000
Xiao Jianguo	8,703,300
Lei Hon Sang	21,890,100
	<u>75,395,500</u>

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

Save as disclosed above and as disclosed below under the headings "Directors' rights to acquire shares" and "Share option scheme", none of the directors or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES

EC-Founder (Holdings) Company Limited ("EC-Founder"), the Company's associated corporation, has granted options on its ordinary shares pursuant to its share option scheme in favour of certain directors of the Company, the details of which are as follows:

Name of director	Number of share options granted during the year and outstanding at end of year	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK\$	Price of company's shares at grant date of options** HK\$
Cheung Shuen Lung	2,000,000	18.5.2001	18.5.2001 to 17.5.2011	0.45	0.56
Wei Xin	2,000,000	18.5.2001	18.5.2001 to 17.5.2011	0.45	0.56
Lei Hon Sang	2,000,000	18.5.2001	18.5.2001 to 17.5.2011	0.45	0.56
	<u>6,000,000</u>				

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the company's share capital.

** The price of the company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

Apart from as disclosed above and under the heading "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

As at the balance sheet date, the particulars in relation to each share option scheme of the Company or its subsidiary that are required to be disclosed under Rules 17.07 to 17.09 of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) were as follows:

(a) Share option scheme of the Company

On 7 December 1995, Founder (Hong Kong) Limited (“FHK”) adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the share option scheme include the Company’s directors and other employees of the Group. Pursuant to a scheme of arrangement, the share option scheme of FHK was replaced by the share option scheme of the Company (the “Existing Scheme”) with the same terms with effect from 31 March 2000. The Existing Scheme will remain in force for a period of 10 years from the date of 7 December 1995.

Under the Existing Scheme, the total number of shares available for issue is limited to 10% of the issued share capital of the Company from time to time, excluding for this purpose such shares of the Company as are allotted and issued upon the exercise of options granted thereunder whereas the maximum number of shares issuable to each eligible participant is limited to 25% of the aggregate number of shares issued and issuable under the Existing Scheme. An offer for share options may be accepted within 40 days from the date of offer, upon payment of a nominal consideration of HK\$1. The exercise period of the share options granted under the Existing Scheme shall be determined by the board of directors when such options are granted, provided that such period shall end in any event not later than 6 December 2005. The subscription price in relation to each option under the Existing Scheme shall be determinable by the board, being the higher of either (i) a price being 80% of the average of the closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date on which the option is offered; or (ii) the nominal value of the shares of the Company.

Chapter 17 of the Listing Rules was however amended in August 2001, resulting in certain provisions under the Existing Scheme becoming obsolete. Pursuant to Chapter 17 of the Listing Rules, provisions relating to the maximum number of shares in respect of which options may be granted, the maximum entitlement of each participant and the subscription price were all altered. Accordingly, the Company intends to adopt a new share option scheme to ensure full compliance with the said amended Listing Rules.

In the circumstances, the board of directors proposes to the shareholders at the forthcoming annual general meeting that the Existing Scheme be terminated while a new scheme in compliance with Chapter 17 of the Listing Rules be adopted in its stead.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (continued)

(a) Share option scheme of the Company (continued)

The following share options were outstanding under the Existing Scheme at 1 January 2001 and at end of year:

Name or category of participant	Number of share options at 1 January 2001 and outstanding at end of year	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$	Price of Company's shares at grant date of options*** HK\$
Directors					
Wang Xuan	10,800,000	6.8.1996	21.12.1998 to 6.12.2005	1.397#	2.70
Cheung Shuen Lung	9,360,000	6.8.1996	21.12.1998 to 6.12.2005	1.397#	2.70
	<hr/> 20,160,000 <hr/>				
Other employees					
In aggregate	900,000	16.4.1999	16.4.1999 to 6.12.2005	0.912	1.14
In aggregate	10,000,000	1.11.1999	1.11.1999 to 6.12.2005	1.944	2.45
	<hr/> 10,900,000 <hr/>				
	<hr/> 31,060,000 <hr/>				

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME *(continued)*

(a) Share option scheme of the Company *(continued)*

The exercise price had been adjusted for the bonus issue in 1997 and 1998, details of which are as follows:

Name of participant	Date of grant of share options/ bonus issue	Number of share options granted/ adjusted as a result of bonus issue	Number of share options outstanding at end of the respective year	Exercise price of share options HK\$
Wang Xuan	6.8.1996	7,500,000	7,500,000	2.012
	6.6.1997	1,500,000 ^{##}	9,000,000	1.676
	6.7.1998	1,800,000 ^{##}	10,800,000	1.397
Cheung Shuen Lung	6.8.1996	6,500,000	6,500,000	2.012
	6.6.1997	1,300,000 ^{##}	7,800,000	1.676
	6.7.1998	1,560,000 ^{##}	9,360,000	1.397

^{##} Adjustments on the number of share options granted as a result of bonus issues granted.

(b) Share option scheme of Founder International Inc.

On 16 December 2000, Founder International Inc. ("Founder Inc."), a subsidiary of the Company, adopted a share option scheme (the "Subsidiary Scheme") whereby options to subscribe for shares in the capital of Founder Inc. may be granted to its employees from time to time as part of its effort to motivate its employees. Under the Subsidiary Scheme, the maximum number of shares issuable under the Subsidiary Scheme may not exceed such number of shares as shall represent 10% of the issued share capital of Founder Inc. from time to time whereas the maximum number of shares issuable to each eligible participant is limited to 25% of the aggregate number of shares issued and issuable under the Subsidiary Scheme. The exercise period in relation to each option shall commence on the date when the offer for the options is accepted and expire on the earlier of the 10th anniversary thereafter or the 10th anniversary of the date on which the Subsidiary Scheme is adopted by Founder Inc. in shareholders' meeting. An offer for share options may be accepted within 40 days from the date of offer upon payment of a nominal consideration of Yen 1,000. The subscription price in relation to each option shall be determined by its shareholders in general meeting and should not be lower than the par value of the shares to be allotted and issued under the Subsidiary Scheme.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (continued)

(b) Share option scheme of Founder International Inc. (continued)

As with the Existing Scheme of the Company, Chapter 17 of the Listing Rules has made certain provisions of the Subsidiary Scheme obsolete, which requires amendments to ensure full compliance with the Listing Rules. Accordingly, the board of directors also proposes a new option scheme be adopted at the forthcoming annual general meeting in replacement of the existing Subsidiary Scheme.

The following share options were outstanding under the Subsidiary Scheme at 1 January 2001 and at the end of year:

Category of participant	Number of share options			Date of grant of share options*	Exercise period of share options	Exercise price of share options**	Nominal value of company's shares at grant date of options
	At 1 January 2001	Lapsed during the year	At 31 December 2001				
						JPY	JPY
Other employees							
In aggregate	<u>62</u>	<u>(2)</u>	<u>60</u>	16.12.2000	17.12.2000 to 16.12.2010	4,720,000	50,000

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the company's share capital.

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

Summary details of the Company's share option scheme are also set out in note 30 to the financial statements.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled or which lapse prior to their exercise date are deleted from the outstanding options.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

According to the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance, there recorded the following interest of 10% or more of the share capital of the Company as at 31 December 2001:

Name of shareholder	Number of shares held	Percentage of the Company's share capital
Peking University Founder Group Corporation ("Peking Founder")	367,005,610	32.66%

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

CONNECTED TRANSACTIONS

During the year, Peking Founder received rental income of approximately HK\$14,133,000 from the Group. The independent non-executive directors of the Company have reviewed the above connected transaction and have confirmed to the board of directors their opinion that such transaction was: (i) conducted in the ordinary course of the Group's business; (ii) paid in accordance with the terms of the agreement governing the transaction; and (iii) fair and reasonable so far as the shareholders of the Company are concerned.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 36 to the financial statements.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the accounting year covered by the annual report except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code. The audit committee comprises the two independent non-executive directors of the Company.

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

Wang Xuan

Chairman

23 April 2002

REPORT OF THE AUDITORS



To the members

Founder Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 28 to 78 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

BASIS OF OPINION

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

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2001 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

23 April 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2001

	Notes	2001 HK\$'000	2000 HK\$'000
TURNOVER	5	1,669,883	2,087,853
Cost of sales		<u>(1,583,284)</u>	<u>(1,653,433)</u>
Gross profit		86,599	434,420
Other revenue and gains		39,143	193,608
Selling and distribution costs		(196,154)	(178,078)
Administrative expenses		(186,397)	(186,843)
Other operating expenses		<u>(96,247)</u>	<u>(69,368)</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	6	(353,056)	193,739
Finance costs	7	(12,104)	(9,065)
Share of profits and losses of:			
Jointly-controlled entity		1,371	1,445
Associates		<u>(27,962)</u>	<u>(6,499)</u>
PROFIT/(LOSS) BEFORE TAX		(391,751)	179,620
Tax	10	<u>(1,539)</u>	<u>(1,315)</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(393,290)	178,305
Minority interests		<u>9,324</u>	<u>2,701</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES			
ATTRIBUTABLE TO SHAREHOLDERS	11	<u><u>(383,966)</u></u>	<u><u>181,006</u></u>
EARNINGS/(LOSS) PER SHARE	12		
Basic		<u><u>(34.2) cents</u></u>	<u><u>16.2 cents</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>15.9 cents</u></u>

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

Year ended 31 December 2001

		2001	2000
	Note	HK\$'000	HK\$'000
Exchange differences on translation of the financial statements of foreign entities	31	<u>(7,254)</u>	<u>296</u>
Net gains/(losses) not recognised in the profit and loss account		(7,254)	296
Net profit/(loss) for the year attributable to shareholders		<u>(383,966)</u>	<u>181,006</u>
Total recognised gains/(losses)		<u><u>(391,220)</u></u>	<u><u>181,302</u></u>

CONSOLIDATED BALANCE SHEET

31 December 2001

	Notes	2001 HK\$'000	2000 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	13	103,082	109,722
Intangible assets	14	3,991	1,215
Interest in a jointly-controlled entity	17	6,834	5,463
Interests in associates	18	81,273	112,918
Long term investments	19	—	1,647
		<u>195,180</u>	<u>230,965</u>
CURRENT ASSETS			
Inventories	20	303,366	382,864
Trade receivables	21	231,061	345,871
Prepayments, deposits and other receivables	22	54,192	165,848
Short term investments	23	5,754	—
Pledged time deposits	24	42,759	42,009
Cash and cash equivalents	25	263,647	316,556
		<u>900,779</u>	<u>1,253,148</u>
CURRENT LIABILITIES			
Trade and bills payables	26	112,213	287,513
Tax payable		92	1,502
Other payables and accruals	27	368,528	234,826
Interest-bearing bank borrowings	28	177,801	158,213
		<u>658,634</u>	<u>682,054</u>
NET CURRENT ASSETS		<u>242,145</u>	<u>571,094</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>437,325</u>	<u>802,059</u>
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	3,139	3,992
		<u>434,186</u>	<u>798,067</u>
MINORITY INTERESTS			
		<u>25,850</u>	<u>29,622</u>
		<u>408,336</u>	<u>768,445</u>
CAPITAL AND RESERVES			
Issued capital	30	112,380	112,380
Reserves	31	295,956	656,065
		<u>408,336</u>	<u>768,445</u>

Wei Xin
Director

Cheung Shuen Lung
Director

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2001

		2001	2000
	Notes	HK\$'000	HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	32(a)	(8,777)	(28,639)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		3,159	6,819
Interest paid		(12,104)	(9,065)
Net cash outflow from returns on investments and servicing of finance		(8,945)	(2,246)
TAX			
Overseas taxes paid		(2,384)	(160)
PRC taxes refunded		—	275
Net taxes refunded/(paid)		(2,384)	115
INVESTING ACTIVITIES			
Purchases of fixed assets		(26,627)	(47,656)
Proceeds from disposal of fixed assets		2,318	27,487
Proceeds from partial disposal of a subsidiary		—	4,338
Purchase of long term investments		—	(7,273)
Purchase of short term investments		(5,702)	—
Purchase of trademark		(4,950)	—
Increase in pledged time deposits		(750)	(2,009)
Increase in deferred development costs		—	(1,215)
Decrease in an amount due to a jointly-controlled entity		—	(8,553)
Additional investment in associates		(1,242)	(38,767)
Decrease/(increase) in amounts due from associates		8,236	(11,122)
Increase/(decrease) in amounts due to associates		(3,063)	3,898
Disposal of subsidiaries	32(c)	—	(31,013)
Disposal of branch operations	32(d)	—	5,979
Disposal of a jointly-controlled entity		—	27,811
Net cash outflow from investing activities		(31,780)	(78,095)

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2001

		2001	2000
	Note	HK\$'000	HK\$'000
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		(51,886)	(108,865)
FINANCING ACTIVITIES	32(b)		
Proceeds from issue of share capital		—	29,296
New bank loans		136,620	263,984
Repayment of bank loans		(142,077)	(271,788)
Capital contributions by minority shareholders		11,162	96,249
Net cash inflow from financing activities		5,705	117,741
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(46,181)	8,876
Cash and cash equivalents at beginning of year		315,360	305,910
Effect of foreign exchange rate changes, net		(5,719)	574
CASH AND CASH EQUIVALENTS AT END OF YEAR		263,460	315,360
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		261,159	300,784
Time deposits		2,488	15,772
Bank overdrafts, secured		(187)	(1,196)
		263,460	315,360

BALANCE SHEET

31 December 2001

		2001	2000
	Notes	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	16	225,532	263,038
Interests in an associate	18	165,082	323,692
		<u>390,614</u>	<u>586,730</u>
CURRENT ASSETS			
Other receivables	22	178	172
Cash and cash equivalents	25	57	—
		<u>235</u>	<u>172</u>
CURRENT LIABILITIES			
Accruals	27	320	779
NET CURRENT LIABILITIES		<u>(85)</u>	<u>(607)</u>
		<u>390,529</u>	<u>586,123</u>
CAPITAL AND RESERVES			
Issued capital	30	112,380	112,380
Reserves	31	278,149	473,743
		<u>390,529</u>	<u>586,123</u>

Wei Xin
Director

Cheung Shuen Lung
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2001

1. CORPORATE INFORMATION

The head office and principal place of business of Founder Holdings Limited is located at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.

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

- software development and systems integration
- distribution of information products

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2001

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

(continued)

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

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements and which require disclosure, but no adjustment. The SSAP requires that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in note 34 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year.

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

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof.

NOTES TO FINANCIAL STATEMENTS

31 December 2001

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

(continued)

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements. The SSAP does, however, require that impairment losses on intangible assets are aggregated with the accumulated amortisation (see note 14), whereas previously they were deducted from the cost of the relevant asset. This disclosure reclassification has had no effect on the net carrying amount of intangible assets in the balance sheet.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosures of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment, for the reasons detailed in note 15 to the financial statements. The required new additional disclosures are included in notes 15, 16 and 31 to the financial statements.

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

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

In addition to the above new and revised SSAPs and related Interpretations, certain minor revisions to the following SSAPs are effective for the first time for the current year's financial statements:

- SSAP 10: "Accounting for investments in associates"
- SSAP 17: "Property, plant and equipment"
- SSAP 21: "Accounting for interests in joint ventures"

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

NOTES TO FINANCIAL STATEMENTS

31 December 2001

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

Basis of consolidation

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

Subsidiaries

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

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

Jointly-controlled entities

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

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

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

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Associates

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

NOTES TO FINANCIAL STATEMENTS

31 December 2001

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

Associates *(continued)*

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of associates of the Company are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

Goodwill

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2001

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

Related parties

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

Impairment of assets

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

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

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

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

Fixed assets and depreciation

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

NOTES TO FINANCIAL STATEMENTS

31 December 2001

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

Fixed assets and depreciation *(continued)*

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

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

Land and buildings	Over the lease terms
Leasehold improvements	20% or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	10% — 33 $\frac{1}{3}$ %
Motor vehicles	20% — 30%

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.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Intangible assets

Trademark

Purchased trademark is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

NOTES TO FINANCIAL STATEMENTS

31 December 2001

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

Intangible assets *(continued)*

Research and development costs

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

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

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding three years, commencing from the date when the products are put into commercial production.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rental receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. When the Group is the lessee, rental payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Long term investments

Long term investments are equity securities intended to be held on a long term basis. The investments are stated at their estimated fair values as determined by the directors, on an individual basis.

Short term investments

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

Inventories

Inventories, which principally comprise trading stocks, are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

NOTES TO FINANCIAL STATEMENTS

31 December 2001

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

Deferred tax

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

Revenue recognition

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

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

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2001

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

Foreign currencies *(continued)*

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

Retirement benefits scheme

The Group operates defined contribution retirement benefits schemes under the Mandatory Provident Fund Schemes Ordinance for all those employees who are eligible to participate in the schemes. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds.

When an employee leaves the Mandatory Provident Fund Exempted Occupational Retirement Schemes Ordinance retirement benefits scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group will be reduced by the relevant amount of forfeited employer's contributions. In respect to the Mandatory Provident Fund retirement benefits scheme, the Group's employer mandatory contributions vest fully with the employees when contributed into the scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the scheme.

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

4. SEGMENT INFORMATION

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

NOTES TO FINANCIAL STATEMENTS

31 December 2001

4. SEGMENT INFORMATION *(continued)*

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

- (a) the software development and systems integration for media business segment provides electronic publishing systems to media companies.
- (b) the software development and systems integration for non-media business segment provides banking and information systems to banks and financial institutions.
- (c) the distribution of information products segment relates to the distribution of computer hardware.

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

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then current market prices.

NOTES TO FINANCIAL STATEMENTS

31 December 2001

4. SEGMENT INFORMATION (continued)

a) Business segments

The following tables present revenue, profit/(loss) and certain assets, liabilities, amortisation, depreciation, impairment loss and capital expenditure information for the Group's business segments.

Group	Software development and systems integration for media business		Software development and systems integration for non-media business		Distribution of information products		Corporate and others		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	<u>530,111</u>	<u>645,971</u>	<u>243,793</u>	<u>586,189</u>	<u>895,776</u>	<u>855,461</u>	<u>203</u>	<u>232</u>	<u>1,669,883</u>	<u>2,087,853</u>
Segment results	<u>(53,682)</u>	<u>109,211</u>	<u>(172,106)</u>	<u>115,679</u>	<u>(77,324)</u>	<u>(16,363)</u>	<u>(53,103)</u>	<u>(21,607)</u>	<u>(356,215)</u>	<u>186,920</u>
Interest income									<u>3,159</u>	<u>6,819</u>
Profit/(loss) from operating activities									<u>(353,056)</u>	<u>193,739</u>
Finance costs									<u>(12,104)</u>	<u>(9,065)</u>
Share of profits less losses of:										
Jointly-controlled entity									<u>1,371</u>	<u>1,445</u>
Associates									<u>(27,962)</u>	<u>(6,499)</u>
Profit/(loss) before tax									<u>(391,751)</u>	<u>179,620</u>
Tax									<u>(1,539)</u>	<u>(1,315)</u>
Profit/(loss) before minority interests									<u>(393,290)</u>	<u>178,305</u>
Minority interests									<u>9,324</u>	<u>2,701</u>
Net profit/(loss) from ordinary activities attributable to shareholders									<u>(383,966)</u>	<u>181,006</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2001

4. SEGMENT INFORMATION (continued)

a) Business segments (continued)

Group	Software development and systems integration for media business		Software development and systems integration for non-media business		Distribution of information products		Eliminations		Consolidated	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Segment assets	794,467	930,387	256,087	278,629	213,290	333,576	(290,025)	(187,972)	973,819	1,354,620
Interests in associates	6,808	8,698	—	—	—	—	—	—	81,273	112,918
Interest in a jointly-controlled entity	6,834	5,463	—	—	—	—	—	—	6,834	5,463
Unallocated assets	—	—	—	—	—	—	—	—	34,033	11,112
Total assets	<u>808,109</u>	<u>944,548</u>	<u>256,087</u>	<u>278,629</u>	<u>213,290</u>	<u>333,576</u>	<u>(290,025)</u>	<u>(187,972)</u>	<u>1,095,959</u>	<u>1,484,113</u>
Segment liabilities	297,789	442,494	270,216	119,669	239,504	314,960	(325,089)	(330,086)	482,420	547,037
Unallocated liabilities	—	—	—	—	—	—	—	—	179,353	139,009
Total liabilities	<u>297,789</u>	<u>442,494</u>	<u>270,216</u>	<u>119,669</u>	<u>239,504</u>	<u>314,960</u>	<u>(325,089)</u>	<u>(330,086)</u>	<u>661,773</u>	<u>686,046</u>
Other segment information:										
Amortisation	959	—	—	—	—	—			959	—
Depreciation	17,163	14,589	5,120	3,536	908	550			23,191	18,675
Impairment loss recognised in the profit and loss account	—	—	—	—	—	—			30,295	—
Capital expenditure	<u>15,858</u>	<u>34,150</u>	<u>8,102</u>	<u>9,789</u>	<u>2,667</u>	<u>3,652</u>			<u>26,627</u>	<u>47,591</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2001

4. SEGMENT INFORMATION (continued)

b) Geographical segments

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

Group	Elsewhere				Corporate							
	Hong Kong		in the PRC		Overseas		and others		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	249,089	194,397	1,333,766	1,829,998	86,825	63,226	203	232	—	—	1,669,883	2,087,853
Intersegment sales	434,983	607,328	—	—	—	—	—	—	(434,983)	(607,328)	—	—
	684,072	801,725	1,333,766	1,829,998	86,825	63,226	203	232	(434,983)	(607,328)	1,669,883	2,087,853
Segment results	(7,994)	(13,338)	(266,832)	187,259	(25,127)	41,425	(53,103)	(21,607)			(353,056)	193,739

NOTES TO FINANCIAL STATEMENTS

31 December 2001

5. TURNOVER, REVENUE AND GAINS

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

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Turnover		
Software development and systems integration	773,904	1,232,160
Distribution of information products	895,776	855,461
Corporate and others	203	232
	1,669,883	2,087,853
Other revenue		
Rental income	1,439	1,995
Interest income	3,159	6,819
Others	26,112	14,134
	30,710	22,948
Gains		
Gain on disposal of fixed assets	—	6,145
Gain on disposal of subsidiaries	—	79,116
Gain on deemed partial disposal of a subsidiary	2,074	62,680
Gain on partial disposal of a subsidiary	—	3,452
Others	6,359	19,267
	8,433	170,660
	1,709,026	2,281,461

NOTES TO FINANCIAL STATEMENTS

31 December 2001

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2001	Group
	2000	
	HK\$'000	HK\$'000
Amortisation of trademark*	959	—
Auditors' remuneration	2,300	2,300
Cost of inventories sold	1,371,640	1,589,102
Cost of services provided	15,449	9,273
Depreciation	23,191	18,675
Impairment of goodwill	30,295	—
Loss/(gain) on disposal of fixed assets	1,395	(6,145)
Loss on disposal of branch operations	—	8,249
Loss on disposal of a jointly-controlled entity	—	3,398
Minimum lease payments under operating leases in respect of land and buildings	40,362	29,073
Revaluation deficits — land and buildings	2,790	2,582
Revaluation deficits — investment properties	2,250	2,280
Impairment of a long term investment	1,647	5,626
Provisions and write-off of doubtful trade debts	22,085	8,939
Provisions and write-off of obsolete stock	83,931	8,125
Research and development costs:		
Current year expenditure	29,954	24,576
Deferred expenditure written off	1,215	—
	31,169	24,576
Staff costs (including directors' remuneration — note 8):		
Wages and salaries	197,065	142,202
Pension contributions	7,144	7,170
Less: Forfeited contributions**	(48)	(206)
	204,161	149,166
Exchange losses/(gains), net	(1,414)	15
Loss/(gain) on disposal of subsidiaries	55	(79,116)
Gain on deemed partial disposal of a subsidiary	(2,074)	(62,680)
Gain on partial disposal of a subsidiary	—	(3,452)
Interest income	(3,159)	(6,819)
Net rental income	(1,439)	(1,995)
Unrealised gains on revaluation of short term investments	(52)	—

* The amortisation of trademark for the year is included in "Cost of sales" on the face of the consolidated profit and loss account.

** At 31 December 2001, forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years were not material.

NOTES TO FINANCIAL STATEMENTS

31 December 2001

7. FINANCE COSTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	<u>12,104</u>	<u>9,065</u>

8. DIRECTORS' REMUNERATION

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Fees	<u>1,054</u>	<u>824</u>
Other emoluments:		
Salaries, allowances and benefits in kind	1,346	1,163
Pension scheme contributions	<u>40</u>	<u>40</u>
	<u>1,386</u>	<u>1,203</u>
	<u>2,440</u>	<u>2,027</u>

Fees include HK\$264,000 (2000: HK\$264,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2000: Nil).

The remuneration of the directors fell within the following band:

	Number of directors	
	2001	2000
Nil — HK\$1,000,000	<u>9</u>	<u>8</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2001

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2000: one) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2000: four) non-director, highest paid employees are as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	2,743	3,162
Pension scheme contributions	67	43
	2,810	3,205

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

	Number of employees	
	2001	2000
Nil — HK\$1,000,000	2	3
HK\$1,500,001 — HK\$2,000,000	1	1
	3	4

10. TAX

	Group	
	2001	2000
	HK\$'000	HK\$'000
Group:		
Outside Hong Kong	974	1,033
Share of tax attributable to associates	565	282
Tax charge for the year	1,539	1,315

NOTES TO FINANCIAL STATEMENTS

31 December 2001

10. TAX (continued)

No Hong Kong profits tax has been provided as no assessable profits are arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

There was no significant unprovided deferred tax in respect of the year (2000: Nil).

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

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2001 dealt with in the financial statements of the Company is approximately HK\$195,594,000 (2000: approximately HK\$2,126,000).

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the year ended 31 December 2001 of approximately HK\$383,966,000 (2000: profit of approximately HK\$181,006,000), and the weighted average of approximately 1,123,800,000 (2000: approximately 1,116,405,000) ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 December 2001 has not been calculated as the impact of the outstanding share options was anti-dilutive.

The calculation of diluted earnings per share for the year ended 31 December 2000 is based on the net profit attributable to shareholders for the year of approximately HK\$181,006,000 and the weighted average of approximately 1,116,405,000 ordinary shares in issue during that year, as used in the calculation of the basic earnings per share, and the weighted average of approximately 23,986,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during that year.

NOTES TO FINANCIAL STATEMENTS

31 December 2001

13. FIXED ASSETS

Group

	Investment properties <i>HK\$'000</i>	Land and buildings in Hong Kong <i>HK\$'000</i>	Land and buildings elsewhere <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:							
At 1 January 2001	16,200	21,700	14,471	11,035	81,516	19,184	164,106
Additions	—	—	—	1,746	22,770	2,111	26,627
Disposals	—	—	(49)	(732)	(12,066)	(2,254)	(15,101)
Revaluation deficit	(2,250)	(3,800)	—	—	—	—	(6,050)
Exchange realignment	—	—	(9)	(19)	(1,511)	(26)	(1,565)
At 31 December 2001	13,950	17,900	14,413	12,030	90,709	19,015	168,017
Accumulated depreciation:							
At 1 January 2001	—	—	399	6,129	36,794	11,062	54,384
Provided during the year	—	1,010	311	1,747	17,603	2,520	23,191
Disposals	—	—	—	—	(9,917)	(1,471)	(11,388)
Written back on revaluation	—	(1,010)	—	—	—	—	(1,010)
Exchange realignment	—	—	—	(1)	(233)	(8)	(242)
At 31 December 2001	—	—	710	7,875	44,247	12,103	64,935
Net book value:							
At 31 December 2001	<u>13,950</u>	<u>17,900</u>	<u>13,703</u>	<u>4,155</u>	<u>46,462</u>	<u>6,912</u>	<u>103,082</u>
At 31 December 2000	<u>16,200</u>	<u>21,700</u>	<u>14,072</u>	<u>4,906</u>	<u>44,722</u>	<u>8,122</u>	<u>109,722</u>
Analysis of cost or valuation:							
At cost	—	—	14,413	12,030	90,709	19,015	136,167
At 31 December 2001 valuation	<u>13,950</u>	<u>17,900</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>31,850</u>
	<u>13,950</u>	<u>17,900</u>	<u>14,413</u>	<u>12,030</u>	<u>90,709</u>	<u>19,015</u>	<u>168,017</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2001

13. FIXED ASSETS (continued)

The Group's land and buildings in Hong Kong were revalued at 31 December 2001 by Centaline Surveyors Ltd., independent professional valuers, at open market value, based on their existing use.

Had the Group's land and buildings in Hong Kong been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK\$37,757,000 (2000: HK\$38,649,000).

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

	Hong Kong	Elsewhere	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At cost:			
Long term leases	—	14,413	14,413
At valuation:			
Medium term leases	17,900	—	17,900
	<u>17,900</u>	<u>14,413</u>	<u>32,313</u>

The Group's investment properties were revalued on 31 December 2001 by Centaline Surveyors Ltd., independent professional valuers, at open market value, based on their existing use. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 34 to these financial statements.

The Group's investment properties are situated in Hong Kong and are held under medium term leases.

Particulars of the Group's investment properties are included on page 79 of the annual report.

All the land and buildings in Hong Kong and certain investment properties of the Group were pledged to banks to secure banking facilities (note 28).

NOTES TO FINANCIAL STATEMENTS

31 December 2001

14. INTANGIBLE ASSETS

Group

	Trademark	Deferred development costs	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:			
At beginning of year	—	13,112	13,112
Additions	4,950	—	4,950
Written off	—	(13,104)	(13,104)
Exchange realignment	—	(8)	(8)
	<hr/>	<hr/>	<hr/>
At 31 December 2001	4,950	—	4,950
	<hr/>	<hr/>	<hr/>
Accumulated amortisation:			
At beginning of year	—	11,897	11,897
Provided during the year	959	—	959
Written off	—	(11,889)	(11,889)
Exchange realignment	—	(8)	(8)
	<hr/>	<hr/>	<hr/>
At 31 December 2001	959	—	959
	<hr/>	<hr/>	<hr/>
Net book value:			
At 31 December 2001	<u>3,991</u>	<u>—</u>	<u>3,991</u>
	<hr/>	<hr/>	<hr/>
At 31 December 2000	<u>—</u>	<u>1,215</u>	<u>1,215</u>
	<hr/>	<hr/>	<hr/>

15. GOODWILL

As detailed in note 3 to these financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions occurred prior to 1 January 2001, to remain eliminated against consolidated reserves.

Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against consolidated reserves for impairment. As a result, the Group has recognised an impairment of part of the goodwill previously eliminated against consolidated reserves of HK\$30,295,000 during the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2001

15. GOODWILL (continued)

The amount of the goodwill remaining in consolidated reserves, arising from the acquisition of a subsidiary prior to 1 January 2001, is as follows:

	Group
	Goodwill eliminated against consolidated contributed surplus
	<i>HK\$'000</i>
Cost:	
At beginning of year and at 31 December 2001	284,700
Accumulated impairment:	
At beginning of year	—
Impairment provided during the year	30,295
At 31 December 2001	30,295
Net amount:	
At 31 December 2001	254,405
At 31 December 2000	284,700

16. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	559,088	559,088
Due from subsidiaries	—	11,610
Due to subsidiaries	(298,221)	(307,660)
	260,867	263,038
Provision for impairment	(35,335)	—
	225,532	263,038

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. Included therein are amounts due from/to subsidiaries, in respect of balances which, although technically currently repayable under the original terms of the transactions giving rise thereto, have been deferred or subordinated for the longer term and are therefore classified as non-current.

NOTES TO FINANCIAL STATEMENTS

31 December 2001

16. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Founder (Hong Kong) Limited	Hong Kong	Ordinary HK\$110,879,989	100%	—	Systems integration and distribution of information products
Beijing Founder Electronics Company Limited	People's Republic of China	Registered HK\$130 million	—	100%	Software development, systems integration and distribution of information products
Sparkling Idea Limited	British Virgin Islands	Ordinary US\$1	—	100%	Investment holding
Founder Systems (BVI) Limited	British Virgin Islands	Ordinary US\$1	—	100%	Systems integration and distribution of information products
Beijing Founder Order Computer System Company Limited	People's Republic of China	Registered HK\$8 million	—	100%	Software development and systems integration
Royal Bright Limited	Hong Kong	Ordinary HK\$2	—	100%	Property holding

NOTES TO FINANCIAL STATEMENTS

31 December 2001

16. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Royal Leader Limited	Hong Kong	Ordinary HK\$2	—	100%	Property holding
Royal Power Limited	Hong Kong	Ordinary HK\$2	—	100%	Property holding
Sharp Century Limited	Hong Kong	Ordinary HK\$2	—	100%	Property holding
Founder Information Technology (HK) Limited	Hong Kong	Ordinary HK\$2	—	100% **	Distribution of information products
Founder Electronics (HK) Limited	Hong Kong	Ordinary HK\$2	—	100%	Distribution of information products
True Luck Group Limited	British Virgin Islands	Ordinary US\$1	—	100%	Investment holding
Founder Technology (Canada) Corp.*	Canada	Ordinary CAN\$100	—	100%	Systems integration
PUC Founder (M) Sdn. Bhd.*	Malaysia	Ordinary RM500,000	—	100%	Investment holding
Founder International Inc.*	Japan	Ordinary JPY62,650,000	—	78.8%	Systems integration
Power Print Inc.*	Japan	Ordinary JPY400 million	—	52.3%	Printing

NOTES TO FINANCIAL STATEMENTS

31 December 2001

16. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Founder International Co., Limited*	People's Republic of China	Registered USD500,000	—	78.8%	Systems integration
Beijing Founder Information Co., Ltd*	People's Republic of China	Registered RMB8 million	—	55.2% **	Publishing of magazines
Founder Information Limited *	Taiwan	Ordinary NT\$57 million	—	73.7%	Systems integration

* not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms

** incorporated during the year

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

NOTES TO FINANCIAL STATEMENTS

31 December 2001

17. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2001	2000
	HK\$'000	HK\$'000
Share of net assets	6,834	5,463

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of incorporation/ registration/ and operations	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
Beijing PeCan Information System Inc.	PRC equity joint venture	People's Republic of China	30%	30%	30%	Software development and distribution of information products

The above investment in the jointly-controlled entity is indirectly held by the Company.

18. INTERESTS IN ASSOCIATES

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed shares in Hong Kong, at cost	—	—	323,690	323,692
Share of net assets	79,222	105,694	—	—
Due from associates	2,886	11,122	—	—
Due to associates	(835)	(3,898)	—	—
	81,273	112,918	323,690	323,692
Provision for impairment	—	—	(158,608)	—
	81,273	112,918	165,082	323,692
Market value of listed shares at balance sheet date	165,082	388,430	165,082	388,430

NOTES TO FINANCIAL STATEMENTS

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18. INTERESTS IN ASSOCIATES (continued)

The amounts due from/to associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group		Principal activities
			2001	2000	
EC-Founder (Holdings) Company Limited	Corporate	Bermuda/ Hong Kong and People's Republic of China	39.45%	39.45%	Design, manufacture and distribution of electronic products and electronic components, provision of management services, provision of software solutions and e-Commerce services
PUC Founder (MSC) Berhad*	Corporate	Malaysia	49%	49%	Provision of computer related software and development services

* not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms

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

Except for EC-Founder (Holdings) Company Limited, which is held directly by the Company, the shareholdings in the above associates are held through subsidiaries.

NOTES TO FINANCIAL STATEMENTS

31 December 2001

18. INTERESTS IN ASSOCIATES (continued)

Included in the Group's share of net assets of its associates is the share of net assets of EC-Founder (Holdings) Company Limited ("EC-Founder"), a company listed on the Stock Exchange, which in the opinion of the directors, is material in the context of the Group's financial statements. Further summary details of the consolidated net assets of EC-Founder as at 31 December 2001 and of its consolidated results for the year then ended are as follows:

	2001 HK\$'000	2000 HK\$'000 (Restated)
Fixed assets	71,910	110,387
Intangible assets	1,270	4,980
Interests in associates	22,527	32,318
Long term investments	1,075	1,075
Current assets	279,316	277,124
Current liabilities	(187,346)	(164,512)
Long term liabilities	(2,043)	(4,619)
Minority interests	(2,336)	(3,331)
Net assets	184,373	253,422
Turnover	331,455	258,664
Loss before tax	(69,279)	(489,020)
Tax	(1,432)	(3,075)
Loss before minority interests	(70,711)	(492,095)
Minority interests	1,670	(5)
Net loss attributable to shareholders	(69,041)	(492,100)

EC-Founder has adopted a policy to assess goodwill eliminated against consolidated reserves for impairment. As a result, EC-Founder has recognised an impairment of part of the goodwill previously eliminated against consolidated reserves, of approximately HK\$452,259,000 during the year. This change of accounting policy has been accounted for retrospectively as a prior year adjustment in accordance with the transitional provisions of SSAP 30.

NOTES TO FINANCIAL STATEMENTS

31 December 2001

18. INTERESTS IN ASSOCIATES *(continued)*

The net consolidated loss attributable to the Group for the year (2000: for the period from 28 September 2000 to 31 December 2000) had been accounted for using the equity method in the Group's financial statements as follows:

	2001 HK\$'000	2000 HK\$'000
Share of loss of an associate	(27,487)	(7,288)
Share of tax	(565)	(282)
	<u>(28,052)</u>	<u>(7,570)</u>

19. LONG TERM INVESTMENTS

	Group 2001 HK\$'000	2000 HK\$'000
Unlisted equity investments, at cost	7,273	7,273
Provision for impairment	(7,273)	(5,626)
	<u>—</u>	<u>1,647</u>

20. INVENTORIES

	Group 2001 HK\$'000	2000 HK\$'000
Trading stocks	<u>303,366</u>	<u>382,864</u>

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

21. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 1 month, extending up to 3 months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

NOTES TO FINANCIAL STATEMENTS

31 December 2001

21. TRADE RECEIVABLES *(continued)*

An aged analysis of the trade receivables as at the balance sheet date and net of provisions is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
1-6 months	168,852	301,043
7-12 months	30,905	28,497
13-24 months	24,854	14,898
Over 24 months	6,450	1,433
	<u>231,061</u>	<u>345,871</u>

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments	25,316	85,028	—	—
Deposits and other debtors	28,876	80,820	178	172
	<u>54,192</u>	<u>165,848</u>	<u>178</u>	<u>172</u>

23. SHORT TERM INVESTMENTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Overseas mutual fund, at fair value	<u>5,754</u>	<u>—</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2001

24. PLEDGED TIME DEPOSITS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Pledged for bank loans	42,572	42,009
Pledged for bank overdraft facilities	187	—
	<u>42,759</u>	<u>42,009</u>

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	261,159	300,784	57	—
Time deposits	2,488	15,772	—	—
	<u>263,647</u>	<u>316,556</u>	<u>57</u>	<u>—</u>

26. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
1-6 months	43,751	225,791
7-12 months	39,552	60,545
1-2 years	27,825	1,036
Over 2 years	1,085	141
	<u>112,213</u>	<u>287,513</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2001

27. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accruals	127,421	88,388	320	779
Other payables	17,507	37,163	—	—
Trading receipts in advance	223,600	109,275	—	—
	<u>368,528</u>	<u>234,826</u>	<u>320</u>	<u>779</u>

28. INTEREST-BEARING BANK BORROWINGS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Bank overdrafts:		
Secured	<u>187</u>	<u>1,196</u>
Bank loans:		
Secured	3,984	4,730
Unsecured	<u>136,619</u>	<u>141,420</u>
	<u>140,603</u>	<u>146,150</u>
Trust receipt loans:		
Secured	<u>40,150</u>	<u>14,859</u>
	<u>180,940</u>	<u>162,205</u>
Bank overdrafts repayable within one year or on demand	<u>187</u>	<u>1,196</u>
Bank loans and trust receipt loans repayable:		
Within one year or on demand	177,614	157,017
In the second year	899	824
In the third to fifth years, inclusive	2,240	3,059
Beyond five years	<u>—</u>	<u>109</u>
	<u>180,753</u>	<u>161,009</u>
	<u>180,940</u>	<u>162,205</u>
Portion classified as current liabilities	<u>(177,801)</u>	<u>(158,213)</u>
Long term portion	<u>3,139</u>	<u>3,992</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2001

28. INTEREST-BEARING BANK BORROWINGS *(continued)*

- (a) The Group's secured bank loans and overdrafts at the balance sheet date are secured by:
- (i) mortgages over certain of the Group's investment properties which had an aggregate carrying value at the balance sheet date of approximately HK\$5,950,000 (2000: HK\$6,600,000).
 - (ii) mortgages over the Group's land and buildings in Hong Kong which had an aggregate net book value at the balance sheet date of approximately HK\$17,900,000 (2000: HK\$21,700,000).
 - (iii) the pledge of certain of the Group's time deposits amounting to approximately HK\$42,759,000 (2000: HK\$42,009,000).
- (b) The Group's unsecured bank loans at the balance sheet date of approximately HK\$136,619,000 (2000: HK\$141,420,000) were guaranteed by Peking University Founder Group Corporation ("Peking Founder"), a substantial shareholder of the Group.

29. DEFERRED TAX

The principal components of the Group's deferred tax asset not recognised in the financial statements are as follows:

	Not provided	
	2001	2000
	HK\$'000	HK\$'000
Accelerated depreciation allowances	845	—
Tax losses	39,733	16,199
	40,578	16,199

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

NOTES TO FINANCIAL STATEMENTS

31 December 2001

30. SHARE CAPITAL

Shares

	Group and Company	
	2001	2000
	HK\$'000	HK\$'000
Authorised:		
2,100,000,000 ordinary shares of HK\$0.10 each	210,000	210,000
Issued and fully paid:		
1,123,799,893 ordinary shares of HK\$0.10 each	112,380	112,380

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 22 to 25.

At the beginning of the year and at balance sheet date, the Company had 31,060,000 share options outstanding under the Scheme, with exercise periods ranging from 21 December 1998 to 6 December 2005 and exercise prices ranging from HK\$0.912 to HK\$1.944. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 31,060,000 additional shares of HK\$0.10 each and proceeds of approximately HK\$48,424,000.

NOTES TO FINANCIAL STATEMENTS

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31. RESERVES

	Share premium account HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	Goodwill reserve HK\$'000	Land and buildings revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	General reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
Group									
At 1 January 2000	866,973	—	—	(284,760)	601	2,157	38,838	(176,827)	446,982
Issue of shares	27,781	—	—	—	—	—	—	—	27,781
Arising on Group reorganisation	(867,094)	867,094	—	—	—	—	—	—	—
Transfer	—	(284,760)	—	284,760	—	—	—	—	—
Profit for the year	—	—	—	—	—	—	—	181,006	181,006
Transfer to general reserve	—	—	—	—	—	—	4,028	(4,028)	—
Transfer to capital reserve	—	—	62,680	—	—	—	—	(62,680)	—
Exchange realignment	—	—	—	—	—	296	—	—	296
At 31 December 2000 and beginning of year	27,660	582,334	62,680	—	601	2,453	42,866	(62,529)	656,065
Impairment of goodwill remaining eliminated against contributed surplus	—	30,295	—	—	—	—	—	—	30,295
Impairment of goodwill of an associate remaining eliminated against contributed surplus	—	816	—	—	—	—	—	—	816
Loss for the year	—	—	—	—	—	—	—	(383,966)	(383,966)
Transfer to general reserve	—	—	—	—	—	—	133	(133)	—
Transfer to capital reserve	—	—	2,074	—	—	—	—	(2,074)	—
Exchange realignment	—	—	—	—	—	(7,254)	—	—	(7,254)
At 31 December 2001	<u>27,660</u>	<u>613,445</u>	<u>64,754</u>	<u>—</u>	<u>601</u>	<u>(4,801)</u>	<u>42,999</u>	<u>(448,702)</u>	<u>295,956</u>
Reserves retained by:									
Company and subsidiaries	27,660	612,629	64,754	—	601	(4,955)	42,999	(418,546)	325,142
Jointly-controlled entities	—	—	—	—	—	82	—	5,152	5,234
Associates	—	816	—	—	—	72	—	(35,308)	(34,420)
31 December 2001	<u>27,660</u>	<u>613,445</u>	<u>64,754</u>	<u>—</u>	<u>601</u>	<u>(4,801)</u>	<u>42,999</u>	<u>(448,702)</u>	<u>295,956</u>
Company and subsidiaries	27,660	582,334	62,680	—	601	2,293	42,866	(59,530)	658,904
Jointly-controlled entities	—	—	—	—	—	85	—	3,782	3,867
Associates	—	—	—	—	—	75	—	(6,781)	(6,706)
31 December 2000	<u>27,660</u>	<u>582,334</u>	<u>62,680</u>	<u>—</u>	<u>601</u>	<u>2,453</u>	<u>42,866</u>	<u>(62,529)</u>	<u>656,065</u>

The contributed surplus of the Group originally represented the difference between the nominal value of the shares and the share premium account of Founder (Hong Kong) Limited acquired pursuant to the Group reorganisation effective on 31 March 2000, over the nominal value of the Company's shares issued in exchange therefor. Goodwill arising on the acquisition of a subsidiary remains eliminated against contributed surplus, further details of which are included in note 15 to these financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2001

31. RESERVES (continued)

The capital reserve of the Group arose from the increase in non-distributable reserve of a subsidiary.

In accordance with the relevant PRC regulations, each of the Group's PRC subsidiaries and jointly-controlled entity is required to transfer not less than 10% of its profit after tax, as determined in accordance with PRC accounting standards and regulations, to a general reserve until such reserve reaches 50% of its registered capital. The quantum of the annual transfer is subject to the approval of the board of directors of the PRC subsidiaries and jointly-controlled entity in accordance with their articles of association.

No such transfer was made during the year as the Group's PRC subsidiaries and jointly-controlled entity either incurred losses during the year or the transfer of profit after tax to general reserve already reached 50% of the registered capital.

In accordance with the relevant Taiwanese regulations, each of the Group's Taiwanese subsidiaries is required to transfer not less than 10% of its profit after tax, as determined in accordance with Taiwanese accounting standards and regulations, to a general reserve. During the year, certain Taiwanese subsidiaries transferred in total approximately HK\$133,000 (2000: Nil), which represented 10% of their profit after tax, to the general reserve.

Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Arising on Group reorganisation	—	448,209	—	448,209
Issue of shares	27,660	—	—	27,660
Loss for the year	—	—	(2,126)	(2,126)
At 31 December 2000	27,660	448,209	(2,126)	473,743
Loss for the year	—	—	(195,594)	(195,594)
At 31 December 2001	<u>27,660</u>	<u>448,209</u>	<u>(197,720)</u>	<u>278,149</u>

The contributed surplus of the Company represents the excess of the fair value of the shares of Founder (Hong Kong) Limited acquired pursuant to the Group reorganisation effective on 31 March 2000, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

NOTES TO FINANCIAL STATEMENTS

31 December 2001

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001 HK\$'000	2000 HK\$'000
Profit/(loss) from operating activities	(353,056)	193,739
Interest income	(3,159)	(6,819)
Loss/(gain) on disposal of subsidiaries	55	(79,116)
Gain on deemed partial disposal of a subsidiary	(2,074)	(62,680)
Gain on partial disposal of a subsidiary	—	(3,452)
Unrealised gain on revaluation of short term investments	(52)	—
Loss on disposal of branch operations	—	8,249
Loss on disposal of a jointly-controlled entity	—	3,398
Depreciation	23,191	18,675
Amortisation of trademark	959	—
Impairment of goodwill	30,295	—
Write-off of deferred development costs	1,215	—
Loss/(gain) on disposal of fixed assets	1,395	(6,145)
Revaluation deficits of land and buildings	2,790	2,582
Revaluation deficits of investment properties	2,250	2,280
Impairment of a long term investment	1,647	5,626
Decrease in tax recoverable	—	367
Decrease/(increase) in inventories	79,498	(102,368)
Decrease/(increase) in trade receivables	114,810	(46,963)
Decrease/(increase) in prepayments	59,712	(47,033)
Decrease/(increase) in deposits and other debtors	51,889	(48,034)
Increase/(decrease) in trade and bills payables	(175,300)	106,377
Increase in accruals	39,033	32,885
Increase/(decrease) in other payables	(19,656)	58,628
Increase/(decrease) in trading receipts in advance	114,325	(49,807)
Increase/(decrease) in trust receipt loans	25,291	(8,191)
Exchange differences	(3,835)	(837)
Net cash outflow from operating activities	(8,777)	(28,639)

NOTES TO FINANCIAL STATEMENTS

31 December 2001

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year

	Issued capital (including share premium account) HK\$'000	Bank loans (with maturity of over 3 months) HK\$'000	Minority interests HK\$'000
At 1 January 2000	977,838	154,144	2,424
Cash inflow/(outflow) from financing activities, net	29,296	(7,804)	96,249
Interests acquired by minority interests	—	—	881
Share of losses after tax of subsidiaries	—	—	(2,701)
Share of exchange reserve of subsidiaries	—	—	(161)
Deemed partial disposal of a subsidiary	—	—	(62,680)
Disposal of subsidiaries	—	—	(4,390)
Transfer to contributed surplus	(867,094)	—	—
Exchange differences	—	(190)	—
At 31 December 2000 and beginning of year	140,040	146,150	29,622
Cash inflow/(outflow) from financing activities, net	—	(5,457)	11,162
Share of losses after tax of subsidiaries	—	—	(9,324)
Share of exchange reserve of subsidiaries	—	—	(3,536)
Deemed partial disposal of a subsidiary	—	—	(2,074)
Exchange differences	—	(90)	—
At 31 December 2001	140,040	140,603	25,850

NOTES TO FINANCIAL STATEMENTS

31 December 2001

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

(c) Disposal of subsidiaries

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Fixed assets	—	6,920
Interests in associates	—	10,839
Cash and bank balances	—	31,223
Trade receivables	—	261
Inventories	—	552
Prepayments and other receivables	55	5,013
Accounts payable and other accrued liabilities	—	(44,852)
Minority interests	—	(4,390)
	<u>55</u>	<u>5,566</u>
Gain/(loss) on disposal	<u>(55)</u>	<u>79,116</u>
	<u>—</u>	<u>84,682</u>
Satisfied by:		
Cash	—	210
Shares	—	84,472
	<u>—</u>	<u>84,682</u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2001 HK\$'000	2000 HK\$'000
Cash consideration	—	210
Cash and bank balances disposed of	—	(31,223)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>—</u>	<u>(31,013)</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2001

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

(c) Disposal of subsidiaries *(continued)*

In respect of the cash flows for the year ended 31 December 2001, the subsidiary disposed of in that year contributed approximately HK\$90,000 to the Group's net operating cash flows, but had no significant impact in respect of the cash flows for investing activities, financing activities, net returns on investments and servicing of finance and tax.

The results of the subsidiary disposed of in the year ended 31 December 2001 had no significant impact on the Group's consolidated turnover or loss after tax for that year.

In respect of the cash flows for the year ended 31 December 2000, the subsidiaries disposed of in that year contributed approximately HK\$15,237,000 to the Group's net operating cash flow, contributed approximately HK\$10,271,000 in respect of net returns on investments and servicing of finance, paid approximately HK\$16,864,000 for investing activities, contributed approximately HK\$22,255,000 in respect of financing activities and had no significant impact in respect of tax for that year.

The results of the subsidiaries disposed of in the year ended 31 December 2000 contributed approximately HK\$3,953,000 to the turnover and approximately HK\$11,605,000 loss to the consolidated profit after tax for that year.

(d) Disposal of branch operations

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Fixed assets	—	1,341
Cash and bank balances	—	3,105
Trade receivables	—	11,671
Inventories	—	1,753
Prepayments and other receivables	—	1,718
Accounts payable and other accrued liabilities	—	(2,255)
	—	17,333
Loss on disposal of branch operations	—	(8,249)
	—	9,084
Satisfied by:		
Cash	—	9,084

NOTES TO FINANCIAL STATEMENTS

31 December 2001

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

(d) Disposal of branch operations *(continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of branch operations is as follows:

	2001 HK\$'000	2000 HK\$'000
Cash consideration	—	9,084
Cash and bank balances disposed of	—	(3,105)
	<u> </u>	<u> </u>
Net inflow of cash and cash equivalents in respect of the disposal of branch operations	<u> — </u>	<u> 5,979 </u>

The branch operations disposed of in the year ended 31 December 2000 had no significant impact on the cash flows, the turnover and the consolidated profit after tax for that year.

33. CONTINGENT LIABILITIES

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

	Company 2001 HK\$'000	2000 HK\$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	<u> 59,140 </u>	<u> 42,000 </u>

As at 31 December 2001, the guarantees given to banks in connection with facilities granted to subsidiaries by the Company were utilised to the extent of approximately HK\$27,100,000 (2000: HK\$42,000,000).

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 13 to these financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 2 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

NOTES TO FINANCIAL STATEMENTS

31 December 2001

34. OPERATING LEASE ARRANGEMENTS *(continued)*

(a) As lessor *(continued)*

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Within one year	1,370	1,308
In the second to fifth years, inclusive	832	1,931
	<u>2,202</u>	<u>3,239</u>

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements, which are negotiated for terms ranging from 1 to 4 years.

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Within one year	30,481	20,735
In the second to fifth years, inclusive	49,511	61,766
	<u>79,992</u>	<u>82,501</u>

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

NOTES TO FINANCIAL STATEMENTS

31 December 2001

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group had the following commitments at the balance sheet date:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Authorised, but not contracted for:		
Capital contribution payable		
to a joint venture to be established	37,688	—

36. POST BALANCE SHEET EVENTS

- (a) On 8 April 2002, PUC Founder (MSC) Berhad, an associate of the Group was listed on the Malaysian Exchange of Securities Dealing & Automated Quotation Bhd by way of a new issue of shares thereon. The interest of the Group in the share capital of the associate was consequently diluted from 49% to 35.9% after the listing. Further details of this transaction are set out in the Company's announcement dated 4 March 2002.
- (b) On 20 March 2002, Beijing Founder Century Information System Co., Ltd. ("Founder Century"), a wholly owned subsidiary of the Company, was set up to participate in the hardware distribution business in China. Pursuant to a memorandum entered into between the Group and Shenzhen Fiyta Holdings Limited ("Shenzhen Fiyta") on 19 March 2002, Shenzhen Fiyta will invest RMB60 million for a 60% interest in Founder Century. Up to the date of this report, the transaction has not been completed. Further details of this transaction are set out in the Company's announcement dated 19 March 2002.

NOTES TO FINANCIAL STATEMENTS

31 December 2001

37. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the year:

		Group	
	Notes	2001 HK\$'000	2000 HK\$'000
Rental expenses paid to Peking Founder	(i)	14,133	14,142
Sales of goods to associates	(ii)	2,370	48,402
Purchases of goods from associates	(iii)	10,048	—
Sales of technical knowhow to a company in which three directors of the company were directors	(iv)	20,132	—
Sales of goods to a company in which three directors of the company were directors	(ii)	33,677	—
Purchases of goods from a company in which three directors of the Company were directors	(iii)	2,962	—
Bank loan guarantees given by Peking Founder	(v)	136,619	141,420
Bank facilities guarantee given by Peking Founder	(vi)	28,266	—

Notes:

- (i) The rental expenses were paid in accordance with the terms of the agreement governing such transaction.
- (ii) The sales of goods were made according to the published prices and conditions similar to those offered to other customers of the Group.
- (iii) The directors consider that the purchases of goods were made according to the published prices and conditions similar to those offered to other customers of the Group.
- (iv) The transaction was conducted at prices determined between the two parties.
- (v) The bank loan guarantees were given to PRC banks for the loans granted to a subsidiary.
- (vi) The bank facilities guarantee was given to a PRC bank for bills discounted by a supplier of a subsidiary.

38. COMPARATIVE AMOUNTS

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

39. APPROVAL OF THE FINANCIAL STATEMENTS

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

PARTICULARS OF INVESTMENT PROPERTIES

31 December 2001

Location	Use	Tenure	Attributable interest of the Group
Units 1, 2a, 2b, 3a, 3b, 4a and 4b on 14th Floor Cable TV Tower 9 Hoi Shing Road Tsuen Wan New Territories Hong Kong	Office premises/ warehouse for rental	Medium term lease	100%
Residential car parking space No. 324 on Podium Level 2 Rhine Garden 38 Castle Peak Road Sham Tseng New Territories Hong Kong	Car parking space for rental	Medium term lease	100%
Flat B, 29th Floor Block 3 Locwood Court Kingswood Villas 1 Tin Wu Road Tin Shui Wai Yuen Long New Territories Hong Kong	Residential premises for rental	Medium term lease	100%
Flat B, 8th Floor Block 2 and car parking space No. 60 on Level 1 Dragon Inn Court 9 Tsing Ha Lane Tuen Mun New Territories Hong Kong	Residential premises and car parking space for rental	Medium term lease	100%
Flat D, 12th Floor Block 2 Belvedere Garden Phase 2 620 Castle Peak Road Tsuen Wan New Territories Hong Kong	Residential premises for rental	Medium term lease	100%

FIVE YEAR FINANCIAL SUMMARY

31 December 2001

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

RESULTS

	Year ended 31 December				
	2001	2000	1999	1998	1997
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER	1,669,883	2,087,853	1,583,073	2,164,248	1,973,409
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	(365,160)	184,674	(228,053)	(162,385)	142,534
Share of profits and losses of:					
Jointly-controlled entities	1,371	1,445	5,602	(3,265)	—
Associates	(27,962)	(6,499)	—	—	—
PROFIT/(LOSS) BEFORE TAX	(391,751)	179,620	(222,451)	(165,650)	142,534
Tax	(1,539)	(1,315)	(879)	(46)	757
PROFIT/(LOSS) BEFORE MINORITY INTERESTS	(393,290)	178,305	(223,330)	(165,696)	143,291
Minority interests	9,324	2,701	259	—	—
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(383,966)	181,006	(223,071)	(165,696)	143,291

ASSETS, LIABILITIES AND MINORITY INTERESTS

	31 December 2001	31 December 2000	31 December 1999	31 December 1998	31 December 1997
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	1,095,959	1,484,113	1,159,484	1,163,392	1,362,704
TOTAL LIABILITIES	(661,773)	(686,046)	(599,213)	(490,736)	(499,042)
MINORITY INTERESTS	(25,850)	(29,622)	(2,424)	—	—
NET ASSETS	408,336	768,445	557,847	672,656	863,662