

## **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **1. GROUP REORGANISATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The Company was incorporated in Bermuda on 16th December, 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended).

Pursuant to a group reorganisation (the “Group Reorganisation”) to rationalise the group structure in preparation for the listing of the Company’s shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company issued fully paid shares in exchange for the entire issued share capital of Zida International Holding Limited (“ZIHL”) and thereby became the holding company of the group (the “Group”) formed after the completion of the Group Reorganisation on 29th April, 2000.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, in accordance with Statement of Standard Accounting Practice No. 27 “Accounting for group reconstructions”, the financial statements of the Group for the six months ended 30th September, 2001 and for the year ended 31st March, 2001 have been prepared on the merger basis as if the Company had always been the holding company of the Group.

The shares of the Company have been listed on the Stock Exchange since 15th June, 2000.

The unaudited condensed consolidated interim financial statements are prepared in accordance with the requirements as set out in the Appendix 16 of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited and the SSAP 25 “Interim Financial Statements” as issued by the Hong Kong Society of Accountants. The accounting policies and basis for the preparation of the interim financial statements are the same as those adopted in the annual financial statements for the year ended 31st March, 2001.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs which has resulted in the adoption of the following revised accounting policy.

## ***NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS***

### Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) “Events after the balance sheet date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment (see note 2).

## **2. PRIOR PERIOD ADJUSTMENT**

The adoption of the revised accounting policy, resulted from the revised SSAP 9 as described in note 1, has been applied retrospectively. It has given rise to an increase in retained profits at 1st April, 2000 of HK\$25,000,000 and HK\$18,800,000 at 1st April, 2001, the derecognition of dividends payable amounting to HK\$25,000,000 for 2000 final dividend and HK\$18,800,000 for 2001 final dividend at 31st March, 2000 and 31st March, 2001 respectively, the recognition of 2000 final dividend amounting to HK\$25,000,000 in the year ended 31st March, 2001 and the recognition of 2001 final dividend amounting to HK\$18,800,000 in the period ended 30th September, 2001. Comparative amounts have been restated in line with the revised accounting policy.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 3. TURNOVER

An analysis of the Company's turnover by principal activity and region together with their respective (loss)/profit from operations is as follows:

By principal activity:

	Turnover for the six months ended 30th September,		(Loss)/profit from operations for the six months ended 30th September,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Design and manufacture of motherboards	82,442	210,551	4,325	18,787
Supply of PC components	593,880	435,222	9,313	9,540
	<u>676,322</u>	<u>645,773</u>	<u>13,638</u>	<u>28,327</u>
Unallocated corporate expenses, net			(16,032)	(19,546)
(Loss)/Profit from operations			<u>(2,394)</u>	<u>8,781</u>
By region:				
North America	128,172	165,719	2,019	3,825
Asia Pacific	128,427	202,525	3,691	14,201
Hong Kong SAR and PRC	329,388	205,405	5,958	6,162
Europe	75,155	65,157	1,398	3,484
Others	15,180	6,967	572	655
	<u>676,322</u>	<u>645,773</u>	<u>13,638</u>	<u>28,327</u>
Unallocated corporate expenses, net			(16,032)	(19,546)
(Loss)/Profit from operations			<u>(2,394)</u>	<u>8,781</u>

## *NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*

### 4. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/Profit from operations has been arrived at after crediting/(charging):

	<b>Six months ended 30th September,</b>	
	<b>2001</b>	2000
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Interest income	<b>1,013</b>	1,380
Depreciation and Amortisation	<b>(3,798)</b>	(5,618)
	<b><u>          </u></b>	<u>          </u>

### 5. FINANCE COSTS

	<b>Six months ended 30th September,</b>	
	<b>2001</b>	2000
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Interest on:		
Bank loans	<b>1,030</b>	1,406
Obligations under finance leases	<b>254</b>	489
	<b><u>          </u></b>	<u>          </u>
	<b><u>          </u></b>	<u>          </u>
	<b><u>          </u></b>	<u>          </u>

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 6. TAXATION

Six months ended  
30th September,

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
The charges comprise the following:		
The Company and its subsidiaries		
Hong Kong Profits Tax		
– Current period	–	757
	<u>          </u>	<u>          </u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Hong Kong subsidiaries of the Company have incurred tax losses for the period. Hong Kong Profits Tax was calculated at 16% of the estimated assessable profit for the period ended 30th September, 2000.

### 7. DIVIDENDS

The Board of Directors resolved not to recommend an interim dividend for the six months ended 30th September, 2001.

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Interim dividend	–	2,820
	<u>          </u>	<u>          </u>

## *NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*

### 8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share for the period is based on the net loss for the six months ended 30th September, 2001 of HK\$3,678,000 (2000: net profit for the period of HK\$6,129,000) and on the weighted average number of 188,000,000 shares (2000: 168,994,536 shares) in issue during the period.

No amount has been presented for the diluted loss per share for the period as the effect of the exercise of the share options of the Company in issue during the period would be anti-dilutive.

### 9. TRADE AND OTHER RECEIVABLES

The Group offered its clients an average credit terms of 30 days.

Trade and other receivables amounted to HK\$6,964,000 (31st March 2001: HK\$12,028,000), including HK\$5,201,000 of trade receivables (31st March, 2001: HK\$9,756,000). An ageing analysis of trade receivables as at the reporting date is as follows:

	<b>30th September, 2001 <i>HK\$'000</i></b>	31st March, 2001 <i>HK\$'000</i>
0 to 30 days	<b>4,885</b>	7,409
31 to 60 days	<b>10</b>	590
61 to 90 days	<b>38</b>	1,757
over 90 days	<b>268</b>	—
	<b>5,201</b>	9,756

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 10. TRADE AND OTHER PAYABLES

Trade and other payables amounted to HK\$70,138,000 (31st March, 2001: HK\$103,064,000), including trade payables of HK\$67,473,000 (31st March, 2001: HK\$99,143,000). The aging analysis of the trade payables as at the reporting date is as follows:

	<b>30th September, 2001 HK\$'000</b>	31st March, 2001 HK\$'000
0 to 30 days	<b>45,495</b>	90,594
31 to 60 days	<b>21,585</b>	5,716
61 to 90 days	<b>184</b>	2,833
over 90 days	<b>209</b>	–
	<hr/> <b>67,473</b> <hr/>	<hr/> <b>99,143</b> <hr/>

10

### 11. OBLIGATIONS UNDER FINANCE LEASES

	<b>30th September, 2001 HK\$'000</b>	31st March, 2001 HK\$'000
Obligations under finance leases are repayable as follows:		
Within one year	<b>4,423</b>	4,238
One to two years	<b>1,228</b>	3,471
Two to five years	–	32
	<hr/> <b>5,651</b> <hr/>	<hr/> 7,741 <hr/>
Less: Amount due within one year and shown under current liabilities	<hr/> <b>(4,423)</b> <hr/>	<hr/> (4,238) <hr/>
Amount due after one year	<hr/> <b>1,228</b> <hr/>	<hr/> 3,503 <hr/>

## *NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*

### 12. BANK BORROWINGS

	<b>30th September, 2001 HK\$'000</b>	31st March, 2001 HK\$'000
Bank borrowings comprise:		
Bank loans	9,346	11,551
Trust receipt loans	26,995	562
Bank overdraft	209	2,200
	<u>36,550</u>	<u>14,313</u>
Secured	<u>36,550</u>	<u>14,313</u>
Bank borrowings are repayable as follows:		
Within one year or on demand	36,550	12,547
More than one year, but not exceeding two years	–	505
More than two years, but not exceeding five years	–	1,261
Exceeding five years	–	–
	<u>36,550</u>	<u>14,313</u>
Less: Amount due within one year or on demand and shown under current liabilities	<u>(36,550)</u>	<u>(12,547)</u>
Amount due after one year	<u>–</u>	<u>1,766</u>

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 13. RESERVES

	share premium of ZIHL before		Retained			
	Share Premium	Group Re- organisation	Special reserve	Capital reserve	profits/ (losses)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>The Group</b>						
As at 1st April, 2000 (Note 1)						
– as originally stated	–	9,731	–	2,408	47,903	60,042
– prior period adjustment (Note 2)	–	–	–	–	25,000	25,000
– as restated	–	9,731	–	2,408	72,903	85,042
Premium arising on New Issue	45,590	–	–	–	–	45,590
Expenses on New Issue	(8,691)	–	–	–	–	(8,691)
Capitalisation issue to paid up in full of 139,000,000 shares	(13,900)	–	–	–	–	(13,900)
Share premium of ZIHL transferred to special reserve upon Group Reorganisation	–	(9,731)	9,731	–	–	–
Reserve arising from Group Reorganisation (note)	–	–	(103)	–	–	(103)
Loss for the year	–	–	–	–	(24,808)	(24,808)
Dividend Paid	–	–	–	–	(27,820)	(27,820)
As at 31st March, 2001	22,999	–	9,628	2,408	20,275	55,310
Loss for the period	–	–	–	–	(3,678)	(3,678)
Dividend Paid	–	–	–	–	(18,800)	(18,800)
As at 30th September, 2001	22,999	–	9,628	2,408	(2,203)	32,832

*Note:* This amount represents the difference between the nominal amount of ZIHL's shares at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the Group Reorganisation described in note 1.

## *NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS*

### 14. COMMITMENTS

At the balance sheet date, the Group had outstanding commitments payable in the following year under non-cancellable operating leases in respect of rented premises as follows:

	<b>30th September, 2001 HK\$'000</b>	31st March, 2001 HK\$'000
Operating leases which expire:		
Within one year	<b>251</b>	380
In the second to fifth year inclusive	<b>512</b>	717
Over five years	<b>1,496</b>	1,496
	<hr/> <b>2,259</b> <hr/>	<hr/> 2,593 <hr/>

The Company had no significant operating lease and capital expenditure commitments as at the balance sheet date.

### 15. MATERIAL RELATED PARTY TRANSACTIONS

There were no material related party transactions during the period.