

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2002

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). In the opinion of directors, its ultimate holding company is Tactful Finance Limited, a company which is incorporated in the British Virgin Islands.

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 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 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.

Details of the Group Reorganisation are set out in the prospectus (the “Prospectus”) issued by the Company dated 29th May, 2000.

The Company acts as an investment holding company and the principal activities of the Group are manufacturing, marketing and research and development of computer motherboards, networking products and related components.

The shares of the Company are listed on the Stock Exchange.

2. ADOPTION OF NEW STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice (“SSAP(s)”) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the previous year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group’s accounting policies that have affected the amounts reported for the current or prior periods.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

2. ADOPTION OF NEW STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

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 by the Company 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. Similarly dividends proposed or declared by subsidiaries after the balance sheet date are not recognised as an asset by the Company at the balance sheet date. This change in accounting policy has been applied retrospectively.

The financial effect of the adoption of the new and revised accounting policies determined above is summarised below:

	Retained profits	
	2002 HK\$	2001 HK\$
THE GROUP		
Balance at beginning of the year		
Originally stated	1,475,278	47,903,098
Derecognition of liability for special dividend payable by ZIHL to its then shareholders prior to the Group Reorganisation	–	25,000,000
Derecognition of liability for final dividend payable for 2001	18,800,000	–
As restated	<u>20,275,278</u>	<u>72,903,098</u>

	Retained profits (Deficit)	
	2002 HK\$	2001 HK\$
THE COMPANY		
Balance at beginning of the year		
Originally stated	92,153	–
Derecognition of liability for final dividend payable for 2001	18,800,000	–
Derecognition of asset for subsidiary's final dividend receivable for 2001	(45,600,000)	–
As restated	<u>(26,707,847)</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

2. ADOPTION OF NEW STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

Leases

SSAP 14 (Revised) "Leases" has introduced some amendments to the basis of accounting for finance and operating leases, and some additional and revised disclosure requirements for the Group's leasing arrangements. The adoption of this accounting policy has no effect on the results of the current or prior periods. Disclosures for all the Group's leasing arrangements have been modified so as to comply with requirements of SSAP 14 (Revised). Comparative figures have been restated in order to achieve a consistent presentation.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended 31st March, 2001 have been amended so that they are presented on a consistent basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of leasehold land and buildings and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation and amortisation and accumulated impairment losses.

Leasehold land and buildings are stated at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any surplus arising on revaluation of leasehold land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case this surplus is credited to the income statement to the extent of the deficit previously charged. A decrease in the net carrying amount arising on revaluation of such properties is charged to the income statement to the extent that it exceeds the surplus, if any, held in the asset revaluation reserve relating to previous revaluation of that particular asset. On the subsequent disposal of such asset, the attributable revaluation surplus not yet transferred to retained profits in prior years is transferred to retained profits.

Leasehold improvements, plant and machinery, furniture, fixtures and equipment and motor vehicles are stated at cost less accumulated depreciation and impairment losses.

Depreciation and amortisation are provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	2.5% or over the terms of the leases , if higher
Buildings	2% to 2.5%
Leasehold improvements	50% or over the terms of the leases
Plant and machinery	10% to 25%
Furniture, fixtures and equipment	20% to 25%
Motor vehicles	10% to 25%

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the relevant finance leases.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investment in a subsidiary

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Investments in securities

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. The tax effect of timing differences, which arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements, is computed using the liability method and is recognised as deferred taxation to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation the financial statements of subsidiaries which are denominated in currencies other than the Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Assets held under finance leases

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired are charged to the income statement over the terms of relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease terms.

Retirement benefits scheme contributions

Contributions payable by the Group to its defined contribution retirement benefits scheme and the Hong Kong Mandatory Provident Fund Scheme are charged to the income statement in the period in which they become payable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash equivalents

Cash equivalents represent short term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the dates of the advances.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions - design and manufacture of computer motherboard and supply of computer components. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- | | |
|--|---|
| Design and manufacture of computer motherboard | – Manufacture and research and development of computer motherboard. |
| Supply of computer components | – Marketing and supply of computer motherboards and related components. |

Segment information about these businesses is presented below.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Year ended 31st March, 2002

	Design and manufacture of computer motherboard <i>HK\$'000</i>	Supply of computer components <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER			
External sales	<u>177,529</u>	<u>1,283,763</u>	<u>1,461,292</u>
RESULT			
Segment result	<u>6,786</u>	<u>24,365</u>	31,151
Unallocated corporate income			1,239
Unallocated corporate expenses			<u>(29,754)</u>
Profit from operations			2,636
Finance costs			<u>(1,973)</u>
Profit before taxation			663
Taxation			<u>1,088</u>
Profit after taxation			<u>1,751</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

At 31st March, 2002

BALANCE SHEET

	Design and manufacture of computer motherboard <i>HK\$'000</i>	Supply of computer components <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	72,922	30,301	103,223
Unallocated corporate assets			62,708
			<hr/>
Consolidated total assets			<u>165,931</u>
LIABILITIES			
Segment liabilities	23,842	77,891	101,733
Unallocated corporate liabilities			7,137
			<hr/>
Consolidated total liabilities			<u>108,870</u>

OTHER INFORMATION

	Design and manufacture of computer motherboard <i>HK\$'000</i>	Supply of computer components <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	555	270	825
Depreciation and amortisation	6,801	873	7,674

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Year ended 31st March, 2001 (Note 1)

	Design and manufacture of computer motherboard <i>HK\$'000</i>	Supply of computer components <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER			
External sales	<u>354,501</u>	<u>1,011,710</u>	<u>1,366,211</u>
RESULT			
Segment result	<u>960</u>	<u>19,399</u>	20,359
Unallocated corporate income			3,274
Unallocated corporate expenses			<u>(44,816)</u>
Loss from operations			(21,183)
Finance costs			<u>(3,576)</u>
Loss before taxation			(24,759)
Taxation			<u>(49)</u>
Loss after taxation			<u>(24,808)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

At 31st March, 2001

BALANCE SHEET

	Design and manufacture of computer motherboard <i>HK\$'000</i>	Supply of computer components <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	87,869	9,574	97,443
Unallocated corporate assets			104,203
			<hr/>
Consolidated total assets			201,646
			<hr/> <hr/>
LIABILITIES			
Segment liabilities	78,203	27,280	105,483
Unallocated corporate liabilities			22,053
			<hr/>
Consolidated total liabilities			127,536
			<hr/> <hr/>

OTHER INFORMATION

	Design and manufacture of computer motherboard <i>HK\$'000</i>	Supply of computer components <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	5,532	1,556	7,088
Depreciation and amortisation	9,001	474	9,475

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's operations are located in Hong Kong and the People Republic of China (the "PRC"). The Group's manufacturing of computer motherboard is carried out in PRC, and supply of computer components is carried out in Hong Kong.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market		Contribution to profit (loss) from operations	
	Year ended 31.3.2002 HK\$'000	Year ended 31.3.2001 HK\$'000 (Note 1)	Year ended 31.3.2002 HK\$'000	Year ended 31.3.2001 HK\$'000 (Note 1)
China	429,821	313,448	1,523	748
Hong Kong	279,781	177,597	2,645	3,551
North America	328,542	343,878	3,355	1,741
Asia Pacific	244,509	376,815	(2,907)	(20,553)
Europe	172,734	151,952	(896)	(5,057)
Others	5,905	2,521	(65)	(217)
	<u>1,461,292</u>	<u>1,366,211</u>	3,655	(19,787)
Unallocated corporate expenses			<u>(1,019)</u>	<u>(1,396)</u>
Profit (loss) from operations			<u>2,636</u>	<u>(21,183)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments (continued)

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	At 31.3.2002 <i>HK\$'000</i>	At 31.3.2001 <i>HK\$'000</i>	Year ended 31.3.2002 <i>HK\$'000</i>	Year ended 31.3.2001 <i>HK\$'000</i>
China	21,504	24,705	15	383
Hong Kong	16,279	19,927	810	6,705
	<u>37,783</u>	<u>44,632</u>	<u>825</u>	<u>7,088</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

5. PROFIT (LOSS) FROM OPERATIONS

	2002	2001
	HK\$	HK\$
		<i>(Note 1)</i>
Profit (loss) from operations has been arrived at after charging:		
Directors' remuneration <i>(Note 7)</i>		
Fees	180,000	165,000
Other emoluments	1,596,292	3,148,493
Other staff costs	14,756,435	22,081,702
Total staff costs	16,532,727	25,395,195
Auditors' remuneration		
Current year	280,000	332,780
Underprovision in prior years	70,560	6,375
Depreciation and amortisation		
Owned assets	6,246,537	8,088,320
Assets under finance leases	1,426,967	1,386,678
Allowance for bad and doubtful debts	660,842	2,039,391
Allowance for slow-moving and obsolete inventories	–	2,536,252
and after crediting:		
Interest income on bank deposits	1,239,355	3,273,894
Write-back of allowance for slow-moving and obsolete inventories	3,843,252	–
Gain on disposal of property, plant and equipment	–	114,443

6. FINANCE COSTS

	2002	2001
	HK\$	HK\$
		<i>(Note 1)</i>
Interest on:		
Bank borrowings wholly repayable within five years	1,590,476	2,673,058
Obligations under finance leases	382,536	902,983
	1,973,012	3,576,041

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Particulars of the emoluments of the directors and the five highest paid individuals for the year are as follows:

(a) Directors' emoluments

	2002	2001
	HK\$	HK\$
		<i>(Note 1)</i>
Directors' fees		
Executive	–	–
Independent non-executive	180,000	165,000
	180,000	165,000
Other emoluments of executive directors		
Salaries and other benefits	1,596,292	3,148,493
Contribution to pension scheme	16,000	86,100
	1,792,292	3,399,593

The aggregate emoluments of each of the directors were within the following bands:

	Number of directors	
	2002	2001
Nil to HK\$1,000,000	5	3
HK\$1,000,001 to HK\$1,500,000	–	2

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

(b) Employees' emoluments

The five highest paid individuals of the Group included two directors (2001: two directors), details of whose emoluments are set out above. The emoluments of the remaining three (2001: three) highest paid individuals are as follows:

	2002 HK\$	2001 <i>HK\$</i> <i>(Note 1)</i>
Salaries and other benefits	2,077,673	1,529,284
Contribution to pension scheme	36,000	33,400
	<u>2,113,673</u>	<u>1,562,684</u>

The aggregate emoluments of each of the employees were less than HK\$1,000,000 for both years.

During two years ended 31st March, 2001 and 2002, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, the directors have waived emoluments of HK\$888,000 (2001: Nil) during the year.

8. TAXATION

	2002 HK\$	2001 <i>HK\$</i> <i>(Note 1)</i>
The (credit) charge comprises:		
(Over)underprovision of Hong Kong Profits Tax in previous years	(154,595)	48,903
Deferred taxation (<i>note 19</i>)	(933,000)	–
	<u>(1,087,595)</u>	<u>48,903</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Hong Kong subsidiaries of the Company have no assessable profit for both years.

Details of the deferred taxation are set out in note 19.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

9. DIVIDENDS

	2002	2001
	HK\$	HK\$
Special dividends paid by ZIHL to its then shareholders prior to the Group Reorganisation	–	25,000,000
Interim dividend paid – HK\$0.015 per share	–	2,820,000
Final dividend paid – HK\$0.100 per share for 2001	<u>18,800,000</u>	–
	<u>18,800,000</u>	<u>27,820,000</u>

10. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share for the year is based on the following data:

	2002	2001
	HK\$	HK\$
Earnings (loss) for the purpose of basic and diluted earnings per share	<u>1,751,080</u>	<u>(24,807,820)</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	188,000,000	178,600,000
Effect of dilutive potential ordinary shares in respect of share options	<u>3,276,000</u>	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>191,276,000</u>	<u>178,600,000</u>

No amount had been presented for the diluted loss per share for the year ended 31st March, 2001, as the effect of the exercise of the outstanding share options of the Company would result in a decrease in the loss per share.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

11. PROPERTY, PLANT AND EQUIPMENT

	Medium term leasehold land and buildings in Hong Kong <i>HK\$</i>	Leasehold improvements <i>HK\$</i>	Plant and machinery <i>HK\$</i>	Furniture, fixtures and equipment <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP						
COST OR VALUATION						
At 1st April, 2001	5,760,000	6,904,907	55,541,467	14,368,698	2,237,661	84,812,733
Additions	-	-	614,438	210,209	-	824,647
Disposals	-	-	-	(2,145)	-	(2,145)
At 31st March, 2002	<u>5,760,000</u>	<u>6,904,907</u>	<u>56,155,905</u>	<u>14,576,762</u>	<u>2,237,661</u>	<u>85,635,235</u>
Comprising:						
At cost	-	6,904,907	56,155,905	14,576,762	2,237,661	79,875,235
At valuation - 2000	<u>5,760,000</u>	-	-	-	-	<u>5,760,000</u>
	<u>5,760,000</u>	<u>6,904,907</u>	<u>56,155,905</u>	<u>14,576,762</u>	<u>2,237,661</u>	<u>85,635,235</u>
DEPRECIATION AND AMORTISATION						
At 1st April, 2001	179,786	3,292,150	28,175,413	7,614,253	919,373	40,180,975
Provided for the year	179,786	1,118,027	4,149,401	1,686,451	539,839	7,673,504
Eliminated on disposals	-	-	-	(2,145)	-	(2,145)
At 31st March, 2002	<u>359,572</u>	<u>4,410,177</u>	<u>32,324,814</u>	<u>9,298,559</u>	<u>1,459,212</u>	<u>47,852,334</u>
NET BOOK VALUES						
At 31st March, 2002	<u>5,400,428</u>	<u>2,494,730</u>	<u>23,831,091</u>	<u>5,278,203</u>	<u>778,449</u>	<u>37,782,901</u>
At 31st March, 2001	<u>5,580,214</u>	<u>3,612,757</u>	<u>27,366,054</u>	<u>6,754,445</u>	<u>1,318,288</u>	<u>44,631,758</u>

The leasehold land and buildings were revalued at 29th February, 2000 by Chesterton Petty Limited, an independent international property consultants, on an open market value basis, at an amount of HK\$5,760,000.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

11. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31st March, 2002, the directors have considered the carrying amount of the Group's leasehold land and buildings carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current year.

At 31st March, 2002, had the Group's leasehold land and buildings been carried at cost less accumulated depreciation and amortisation, the carrying value would have been approximately HK\$6,937,000 (2001: HK\$7,117,000).

The net book value of plant and machinery includes an amount of HK\$10,733,966 (2001: HK\$12,160,933) in respect of assets held under finance leases.

12. INVESTMENTS IN SECURITIES

	THE GROUP	
	2002 HK\$	2001 HK\$
Unlisted investment security, at cost	<u>911,407</u>	<u>911,407</u>

The investment represents a golf club debenture. In the opinion of directors, the investment is worth at least its cost.

13. INVESTMENT IN A SUBSIDIARY

	THE COMPANY	
	2002 HK\$	2001 HK\$
Unlisted shares, at cost	<u>60,138,804</u>	<u>60,138,804</u>
Less: Impairment loss	<u>(24,800,000)</u>	<u>(24,800,000)</u>
	<u>35,338,804</u>	<u>35,338,804</u>

The carrying value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the holding company of the Group under the Group Reorganisation as explained in note 1, net of the impairment loss recognised in respect of the subsidiary amounting to HK\$24,800,000.

Details of the Company's subsidiaries at 31st March, 2002 are set out in note 32.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

14. INVENTORIES

	THE GROUP	
	2002 HK\$	2001 HK\$
Raw materials	23,169,313	18,360,260
Work in progress	895,066	4,751,589
Finished goods	30,978,215	15,417,843
	<u>55,042,594</u>	<u>38,529,692</u>

Included above are raw materials of HK\$1,615,733 (2001: HK\$177,642) and finished goods of HK\$21,704,629 (2001: HK\$13,433,828) which are carried at net realisable value.

15. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period of 30 days to its trade customers. Included in trade and other receivables are trade receivables of HK\$4,944,908 (2001: HK\$9,756,017), the aged analysis of which at the balance sheet date is as follows:

	THE GROUP	
	2002 HK\$	2001 HK\$
Up to 30 days	4,903,642	7,409,390
31 - 60 days	4,760	589,820
61 - 90 days	22,776	1,756,807
More than 90 days	13,730	–
	<u>4,944,908</u>	<u>9,756,017</u>

16. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$70,554,440 (2001: HK\$99,142,848), the aged analysis of which at the balance sheet date is as follows:

	THE GROUP	
	2002 HK\$	2001 HK\$
Up to 30 days	68,776,828	90,593,677
31 - 60 days	1,574,134	5,715,767
61 - 90 days	21,172	2,833,404
More than 90 days	182,306	–
	<u>70,554,440</u>	<u>99,142,848</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

17. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2002 <i>HK\$</i>	2001 <i>HK\$</i>	2002 <i>HK\$</i>	2001 <i>HK\$</i>
The maturity of obligations under finance leases is as follows:				
Within one year	3,511,947	4,733,458	3,435,339	4,238,032
More than one year, but not exceeding two years	31,992	3,599,528	31,788	3,470,650
More than two years, but not exceeding five years	—	32,965	—	32,618
	3,543,939	8,365,951	3,467,127	7,741,300
Less: Future finance charges	(76,812)	(624,651)		
Present value of lease obligations	<u>3,467,127</u>	<u>7,741,300</u>		
Less: Amount due from settlement within one year (shown under current liabilities)			<u>(3,435,339)</u>	<u>(4,238,032)</u>
			<u>31,788</u>	<u>3,503,268</u>

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term is 3 years. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

18. SECURED BANK BORROWINGS

	THE GROUP	
	2002	2001
	HK\$	HK\$
Secured bank borrowings comprise:		
Bank loans	–	11,551,146
Trust receipt loans	1,520,879	561,600
Bank overdraft	2,075,335	2,200,420
	<u>3,596,214</u>	<u>14,313,166</u>
Bank borrowings are repayable as follows:		
Within one year or on demand	3,596,214	12,546,954
More than one year, but not exceeding two years	–	504,660
More than two years, but not exceeding five years	–	1,261,552
	<u>3,596,214</u>	<u>14,313,166</u>
Less: Amount due within one year or on demand and shown under current liabilities	<u>(3,596,214)</u>	<u>(12,546,954)</u>
Amount due after one year	<u>–</u>	<u>1,766,212</u>

19. DEFERRED TAXATION

	THE GROUP	
	2002	2001
	HK\$	HK\$
Balance at beginning of the year	933,000	933,000
Credit for the year	<u>(933,000)</u>	<u>–</u>
Balance at end of the year	<u>–</u>	<u>933,000</u>

The deferred tax liability at 31st March, 2001 represented the tax effect of timing difference attributable to the excess of tax allowances over depreciation and amortisation.

Other than the above, neither the Group nor the Company had any other significant unprovided deferred taxation in respect of timing differences for the year or at the balance sheet dates.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

20. SHARE CAPITAL

	Number of shares	Value HK\$
Authorised:		
Ordinary shares of HK\$0.10 each		
At 1st April, 2000	1,000,000	100,000
Increase during the year 2001 (<i>note a(i)</i>)	999,000,000	99,900,000
	<u>1,000,000,000</u>	<u>100,000,000</u>
At 31st March, 2001 and as at 31st March, 2002	<u>1,000,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each		
At 1st April, 2000	1,000,000	–
Issue of shares (<i>note a(ii)</i>)	1,000,000	100,000
Pay up the nil paid shares (<i>note a(ii)</i>)	–	100,000
Issue of new shares upon listing of the Company's shares on the Stock Exchange (<i>note b(i)</i>)	47,000,000	4,700,000
Capitalisation issue of shares (<i>note b(ii)</i>)	139,000,000	13,900,000
	<u>188,000,000</u>	<u>18,800,000</u>
At 31st March, 2001 and as at 31st March, 2002	<u>188,000,000</u>	<u>18,800,000</u>

Details of the changes in the Company's share capital for the year ended 31st March, 2001 are as follows:

- (a) By written resolutions of the shareholders of the Company on 29th April, 2000:
- (i) the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of an additional 999,000,000 new shares with a nominal value of HK\$0.10 each to rank *pari passu* with the existing shares in all respects; and
 - (ii) the Company allotted and issued an aggregate of 1,000,000 new shares, credited as fully paid, of HK\$0.10 each in the Company, and credited as fully paid at par the 1,000,000 shares which were allotted and issued at nil paid on 6th January, 2000, as consideration for the acquisition by the Company of the entire issued share capital of ZIHL.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

20. SHARE CAPITAL (continued)

- (b) On 23rd May, 2000, further resolutions were passed by the then shareholder of the Company to effect the following:
- (i) the Company issued 47,000,000 new ordinary shares of HK\$0.10 each for cash at HK\$1.07 per share on 13th June, 2000 (the "New Issue") in accordance with the terms as set out in the Prospectus in connection with the listing of the Company's shares on the Stock Exchange; and
 - (ii) approximately HK\$13,900,000 was directed to be capitalised against the share premium account of the Company being credited as a result of New Issue and applied in paying up in full 139,000,000 shares of HK\$0.10 each in total for allotment and issue to the member of the Company at the close of business on 13th June, 2000.

There were no movements in the share capital for the year ended 31st March, 2002.

21. SHARE OPTIONS

The movement of share options granted by the Company to the directors and eligible employees to subscribe for shares in the Company during the year are as follows:

	At HK\$0.568 granted on 15.7.2000	At HK\$0.770 granted on 26.8.2000	At HK\$0.240 granted on 29.1.2001	At HK\$0.260 granted on 21.5.2001
Exercisable period	15.1.2001 to 14.7.2005	26.8.2001 to 25.8.2005	29.1.2002 to 28.1.2006	7.5.2002 to 6.5.2006
As at 1st April, 2001	6,675,000	600,000	2,260,000	–
Granted during the year	–	–	–	10,000,000
Cancelled during the year	(3,625,000)	–	(690,000)	–
As at 31st March, 2002	<u>3,050,000</u>	<u>600,000</u>	<u>1,570,000</u>	<u>10,000,000</u>

No options were exercised during the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

22. RESERVES

	Share premium of ZIHL	Share premium before Group Reorganisation	Special reserve	Contributed surplus	Capital reserve	Retained profits (deficit)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
THE GROUP							
At 1st April, 2000 (note 1)							
- as originally stated	-	9,730,500	-	-	2,407,706	47,903,098	60,041,304
- prior period adjustment (note 2)	-	-	-	-	-	25,000,000	25,000,000
- as restated	-	9,730,500	-	-	2,407,706	72,903,098	85,041,304
Premium arising on New Issue	45,590,000	-	-	-	-	-	45,590,000
Expenses on New Issue	(8,691,173)	-	-	-	-	-	(8,691,173)
Capitalisation issue to pay up in full of 139,000,000 shares	(13,900,000)	-	-	-	-	-	(13,900,000)
Share premium of ZIHL transferred to special reserve upon Group Reorganisation	-	(9,730,500)	9,730,500	-	-	-	-
Reserve arising from Group Reorganisation (note)	-	-	(102,500)	-	-	-	(102,500)
Loss for the year	-	-	-	-	-	(24,807,820)	(24,807,820)
Dividends (note 9) (As restated)	-	-	-	-	-	(27,820,000)	(27,820,000)
At 31st March, 2001 and							
1st April, 2001 (As restated)	22,998,827	-	9,628,000	-	2,407,706	20,275,278	55,309,811
Profit for the year	-	-	-	-	-	1,751,080	1,751,080
Dividends (note 9)	-	-	-	-	-	(18,800,000)	(18,800,000)
At 31st March, 2002							
	<u>22,998,827</u>	<u>-</u>	<u>9,628,000</u>	<u>-</u>	<u>2,407,706</u>	<u>3,226,358</u>	<u>38,260,891</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

22. RESERVES (continued)

	Share premium of ZIHL	Share premium before Group Reorganisation	Special reserve	Contributed surplus	Capital reserve	Retained profits (deficit)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
THE COMPANY							
At 1st April, 2000	-	-	-	-	-	-	-
Premium arising on New Issue	45,590,000	-	-	-	-	-	45,590,000
Expenses on New Issue	(8,691,173)	-	-	-	-	-	(8,691,173)
Capitalisation issue to pay up in full of 139,000,000 shares	(13,900,000)	-	-	-	-	-	(13,900,000)
Contributed surplus arising from Group Reorganisation	-	-	-	59,938,804	-	-	59,938,804
Loss for the year (As restated)	-	-	-	-	-	(23,887,847)	(23,887,847)
Dividends (note 9) (As restated)	-	-	-	-	-	(2,820,000)	(2,820,000)
At 31st March, 2001 and at 1st April, 2001 (As restated)	22,998,827	-	-	59,938,804	-	(26,707,847)	56,229,784
Profit for the year	-	-	-	-	-	516,932	516,932
Dividends (note 9)	-	-	-	(18,800,000)	-	-	(18,800,000)
At 31st March, 2002	<u>22,998,827</u>	<u>-</u>	<u>-</u>	<u>41,138,804</u>	<u>-</u>	<u>(26,190,915)</u>	<u>37,946,716</u>

The special reserve of the Company represents the offsetting of the share premium of ZIHL which had been transferred to special reserve upon Group Reorganisation described in note 1 amounting to HK\$9,730,500 against 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 amounting to HK\$102,500.

The contributed surplus of the Company represents the difference between the book value of the underlying net assets of the subsidiaries acquired by the Company under the Group Reorganisation and the nominal value of the Company's shares issued for the acquisition. In addition to retained profits, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

22. RESERVES (continued)

- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31st March, 2002 comprised contributed surplus and retained profits or deficit in aggregate amounting to HK\$14,947,889 (2001: HK\$33,230,957).

23. RECONCILIATION OF PROFIT (LOSS) BEFORE TAXATION TO NET CASH (OUTFLOW) INFLOW FROM OPERATING ACTIVITIES

	2002 HK\$	2001 <i>HK\$</i> <i>(Note 1)</i>
Profit (loss) before taxation	663,485	(24,758,917)
Depreciation and amortisation	7,673,504	9,474,998
Interest expenses	1,590,476	2,673,058
Interest on finance leases	382,536	902,983
Interest income	(1,239,355)	(3,273,894)
Gain on disposal of property, plant and equipment	–	(114,443)
(Increase) decrease in inventories	(16,512,902)	17,326,660
Decrease in trade and other receivables	2,403,045	21,795,249
Decrease in bills receivable	1,511,055	612,768
(Decrease) increase in trade and other payables	(26,849,008)	41,100,046
Increase (decrease) in secured bills payable	24,601,200	(8,844,869)
Net cash (outflow) inflow from operating activities	<u>(5,775,964)</u>	<u>56,893,639</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

24. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium <i>HK\$</i>	Bank loans <i>HK\$</i>	Obligations under finance leases <i>HK\$</i>
Balance at 1st April, 2000 (Note 1)	9,828,000	7,257,427	11,050,042
Eliminated on Group Reorganisation	(9,828,000)	–	–
Issue of shares in respect of acquisition of ZIHL	200,000	–	–
Proceeds from New Issue	50,290,000	–	–
Expenses on New Issue	(8,691,173)	–	–
New bank loans raised	–	9,345,794	–
Inception of new finance leases	–	–	520,629
Repayments	–	(5,052,075)	(3,829,371)
	<hr/>	<hr/>	<hr/>
Balance at 31st March, 2001 and 1st April, 2001	41,798,827	11,551,146	7,741,300
Repayments	–	(11,551,146)	(4,274,173)
	<hr/>	<hr/>	<hr/>
Balance at 31st March, 2002	<u>41,798,827</u>	<u>–</u>	<u>3,467,127</u>

25. NON-CASH TRANSACTIONS

During the year ended 31st March, 2001, additions to property, plant and equipment amounting to HK\$520,629 were financed by finance leases.

26. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Bank balances and cash	57,040,149	102,405,331
Trust receipt loans	(1,520,879)	(561,600)
Bank overdraft	(2,075,335)	(2,200,420)
	<hr/>	<hr/>
	<u>53,443,935</u>	<u>99,643,311</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

27. OPERATING LEASE ARRANGEMENTS

	2002	2001
	HK\$	HK\$
Minimum lease payments paid under operating leases for premises recognised in the income statement for the year	<u>2,399,414</u>	<u>2,485,417</u>

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases for premises which fall due as follows:

	2002	2001
	HK\$	HK\$
Within one year	2,267,152	2,328,103
In the second to fifth year inclusive	6,740,916	8,169,528
Over five years	<u>1,567,284</u>	<u>1,585,512</u>
	<u>10,575,352</u>	<u>12,083,143</u>

Operating lease payments represent rentals payable by the Group for certain of its warehouses and factory premises. Leases are negotiated for an average term of six years and rentals are fixed during the lease period.

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

28. BANKING FACILITIES

At the balance sheet date, the Group's banking facilities were secured by the following:

1. bank deposits of the Group of HK\$5.5 million (2001: HK\$1.6 million);
2. the Group's leasehold land and buildings with a net book value of approximately HK\$3,290,000 (2001: HK\$3,384,000);
3. cross-guarantees between subsidiaries.

As at 31st March, 2002 and 2001, the Company provided an unlimited corporate guarantee in respect of credit facilities granted to a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

29. OTHER COMMITMENTS

At the balance sheet date, the Group had annual commitments payable in the following year as follows:

	2002	2001
	HK\$	HK\$
Contracted for the contribution of registered capital to PRC subsidiaries	19,929,000	13,062,000
Contracted for the payment of a management fee to a party in the PRC under a management agreement which expires over five years	47,000	47,000
	<u>19,976,000</u>	<u>13,109,000</u>

30. RELATED PARTY TRANSACTIONS

The Group's banking facilities as at 31st March, 2001 were guaranteed by a director, Mr. Chang Chung Wa, Eddie and his mother and were secured by a property owned by Mr. Chang Chung Wa, Eddie and his spouse to the extent of HK\$10,000,000. Such guarantees have been released during the year ended 31 March 2002.

Save as disclosed above, there were no other significant transactions with related parties during the year or significant balances with them at any time during the year.

31. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

From December 2000 onwards, the Company enrolled all eligible employees in Hong Kong into a Mandatory Provident Fund ("MPF") scheme. The MPF is a defined contribution scheme and the assets of the scheme are managed by the trustees.

The MPF is available to all employees aged 18 to 64 and with at least 60 days of service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% based on the staff's relevant income. The maximum relevant income from contribution purpose is HK\$20,000 per month. Staff members are entitled to 100% of the Group's contributions together with accrued returns irrespective of their length of service with the Group, but the benefits are required by law to be preserved until the retirement age of 65.

The Group's cost for the MPF charged to income statement for the year ended 31st March, 2002 amounted to HK\$566,000 (2001: HK\$184,000).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

32. SUBSIDIARIES

Details of the Company's subsidiaries at 31st March, 2002 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and paid up share capital/ registered capital	Principal activities
Barron Limited	Western Samoa/ Hong Kong	Ordinary US\$20,000	Inactive
Dailyview Limited	Hong Kong	Ordinary HK\$10,000	Property holding
Frontline Group Limited	British Virgin Islands/ Hong Kong	Ordinary US\$10,000	Investment holding
Gladons Limited	Western Samoa/ Hong Kong	Ordinary US\$20,000	Inactive
Goldenet International Limited	British Virgin Islands/ Hong Kong	Ordinary US\$50,000	Investment holding
華電資訊科技 (深圳)有限公司 Huadian Information Technologies (Shenzhen) Company Limited	PRC	Registered capital US\$2,500,000 (Note (i))	Inactive
Netous Technologies Limited	Hong Kong	Ordinary HK\$10,000	Manufacturing, marketing research and development of networking products
Peair Design Limited	Hong Kong	Ordinary HK\$10,000	Inactive

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

32. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and paid up share capital/ registered capital	Principal activities
深圳華基粵海科技 有限公司 Shenzhen Huaji Yuehai Technologies Company Limited ("Shenzhen Huaji") (Note (ii))	PRC	Registered capital US\$5,000,000 (Note (iii))	Manufacturing, marketing and research and development of computer motherboards and PC Systems
Tomato Microelectronics Limited	Hong Kong	Ordinary HK\$10,000	Inactive
Treasureland Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary US\$10,000	Investment holding
Vida Design Limited	Hong Kong	Ordinary HK\$20,000	Marketing, development and supply of computer motherboards and related components
Visionland Limited	Hong Kong	Ordinary HK\$10,000	Inactive
Zida Industrial Limited	Hong Kong	Ordinary HK\$10,000	Manufacture of computer motherboards and system
Zida Information Technologies Limited	Hong Kong	Ordinary HK\$10,000	Marketing, development and supply of computer motherboards and related components
Zida International Holding Limited	British Virgin Islands/ Hong Kong	Ordinary US\$12,500	Investment holding

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2002

32. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and paid up share capital/ registered capital	Principal activities
Zida Manufacturing Holding Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	Investment holding
Zida Technologies Holding Limited	Hong Kong	Ordinary HK\$10,000	Investment holding
Zida Technologies Limited	Hong Kong	Ordinary HK\$2,000,000	Manufacture, marketing and research and development on computer motherboards and related components

Notes:

- (i) As at 31st March, 2002, the registered capital was paid up to the extent of US\$411,700 (2001: N/A).
- (ii) Shenzhen Huaji was established as a cooperative joint venture enterprise for a term of 30 years commencing from 16th July, 1999. Under the relevant joint venture agreement, the Group is responsible for managing the operations of this company. The Group accounts for this enterprise as a wholly-owned subsidiary since the Group is accountable for all of the results of the operations and is also responsible for all its assets and liabilities after the payment of a fixed amount to the PRC party each year during the term of the joint venture.
- (iii) As at 31st March, 2002, the registered capital was paid up to the extent of US\$4,536,707 (2001: US\$3,353,070).

The above subsidiaries are owned indirectly by the Company, with the exception of Zida International Holding Limited. All subsidiaries are wholly-owned by the Company.

None of the subsidiaries had issued any debt securities at the end of the year.