

## Notes to the Accounts

### 1. Group reorganisation, operations and basis of preparation

The Company was incorporated in Bermuda on 11th January 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The Company is an investment holding company. Its subsidiaries are principally engaged in the trading and distribution of electronic parts, components and equipment and computer products and accessories. The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 7th May 2001.

Pursuant to a group reorganisation scheme in preparation for the listing of the Company's shares on the Stock Exchange (the "Reorganisation"), the Company became the holding company of the companies comprising the group (collectively referred to as the "Group") on 18th April 2001. The group reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated accounts have been prepared as if the Company had been the holding company of the other companies comprising the group throughout the year ended 31st March 2002, rather than from the date on which the Reorganisation was completed.

### 2. Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

#### (a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002.

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34 (revised)	:	Employee benefits

The adoption of the above standards did not have material impact on the accounts except for the reclassification of certain items in the consolidated cash flow statement into operating, investing and financing activities and the presentation of a consolidated statement of changes in equity.

# Notes to the Accounts

(Continued)

## 2. Principal accounting policies (Continued)

### (b) Group accounting

#### (i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies or to appoint or remove the majority of the members of the board of directors.

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

Subsidiary established in the Peoples Republic of China ("PRC") adopts 31st December as its accounting year end pursuant to local reporting regulations. Accordingly, the management accounts of this subsidiary as at and for the year ended 31st March have been incorporated in the consolidated accounts after making adjustments as the directors consider appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or goodwill and exchange differences taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

## Notes to the Accounts

(Continued)

### 2. Principal accounting policies (Continued)

#### (b) Group accounting (Continued)

##### (ii) Associated company

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the result of associated company for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated company and goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

##### (iii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries expressed in foreign currencies is translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

#### (c) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or associated company at the date of acquisition. Goodwill on acquisitions is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Where an indication of impairment exists, the carrying amount, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

# Notes to the Accounts

(Continued)

## 2. Principal accounting policies (Continued)

### (d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Furniture and fixtures	25%
Office equipment	25%
Motor vehicles	25%

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

### (e) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

### (f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, includes all costs incurred in bringing the goods to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### (g) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

# Notes to the Accounts

(Continued)

## 2. Principal accounting policies (Continued)

### (h) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

### (i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### (j) Employee benefits

#### (i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

#### (ii) *Profit sharing and bonus plans*

The expected cost of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

#### (iii) *Pension obligations*

The Group operates a number of defined contribution plans, the assets of which are generally held in independently administered funds. The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

# Notes to the Accounts

(Continued)

## 2. Principal accounting policies (Continued)

### (k) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

### (l) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow becomes probable, it will then be recognised as a provision.

### (m) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Management fee and commission income are recognised when the services are rendered.

### (n) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

## Notes to the Accounts

(Continued)

**2. Principal accounting policies** (Continued)**(o) Segment reporting**

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables, prepayments, deposits and operating cash, and mainly exclude interest in an associated company. Segment liabilities comprise operating liabilities and exclude items such as taxation and amount due to an associated company. Capital expenditure comprises additions to fixed assets.

In respect of geographical segments reporting, segment turnover is determined on the basis of the destination of delivery of merchandise to customers. Total assets and capital expenditure are where the assets are located.

**3. Turnover, revenue and segment information**

The Group is principally engaged in the trading and distribution of electronic parts, components and equipment and computer products and accessories. Revenues recognised during the year are as follows:

	<b>2003</b>	<b>Group</b>
	<b>HK\$'000</b>	2002
		HK\$'000
Turnover		
Sales of electronic parts, components and equipment	<b>437,458</b>	263,581
Sales of computer products and accessories	<b>218,241</b>	43,652
	<b>655,699</b>	307,233
Other revenues		
Management fee from an associated company (note 26(a))	<b>138</b>	69
Commission income	<b>79</b>	–
Interest income from bank deposits	<b>94</b>	1,025
Interest income from an associated company (note 26(a))	<b>24</b>	–
	<b>335</b>	1,094
Total revenues	<b>656,034</b>	308,327

## Notes to the Accounts

(Continued)

**3. Turnover, revenue and segment information** (Continued)**Primary reporting format – business segments**

The Group is organised into two main business segments:

Electronic products – Trading and distribution of electronic parts, components and equipment

Computer products – Trading and distribution of computer products and accessories

	<b>Electronic products HK\$'000</b>	<b>2003 Computer products HK\$'000</b>	<b>Total HK\$'000</b>
Turnover	<u>437,458</u>	<u>218,241</u>	<u>655,699</u>
Segment results	<u>25,523</u>	<u>(2,134)</u>	23,389
Unallocated costs			<u>(630)</u>
Operating profit			22,759
Finance costs			(336)
Share of loss of an associated company			<u>(291)</u>
Profit before taxation			22,132
Taxation			<u>(2,894)</u>
Profit after taxation			19,238
Minority interests			<u>(1,309)</u>
Profit attributable to shareholders			<u>17,929</u>
Segment assets	157,143	23,644	180,787
Interest in an associated company			898
Unallocated assets			<u>152</u>
Total assets			<u>181,837</u>
Segment liabilities	50,778	8,134	58,912
Unallocated liabilities			<u>3,414</u>
Total liabilities			<u>62,326</u>
Other information			
Capital expenditure	1,764	101	1,865
Depreciation	<u>1,324</u>	<u>56</u>	<u>1,380</u>



## Notes to the Accounts

(Continued)

## 3. Turnover, revenue and segment information (Continued)

## Primary reporting format – business segments (Continued)

	Electronic products HK\$'000	2002 Computer products HK\$'000	Total HK\$'000
Turnover	<u>263,581</u>	<u>43,652</u>	<u>307,233</u>
Segment results	<u>5,878</u>	<u>389</u>	6,267
Unallocated costs			<u>(672)</u>
Operating profit			5,595
Finance costs			–
Share of loss of an associated company			<u>(11)</u>
Profit before taxation			5,584
Taxation			<u>(1,538)</u>
Profit after taxation			4,046
Minority interests			<u>357</u>
Profit attributable to shareholders			<u>4,403</u>
Segment assets	127,943	10,124	138,067
Interest in an associated company			139
Unallocated assets			<u>1,318</u>
Total assets			<u>139,524</u>
Segment liabilities	32,655	2,685	35,340
Due to an associated company			51
Unallocated liabilities			<u>108</u>
Total liabilities			<u>35,499</u>
Other information			
Capital expenditure	2,832	105	2,937
Depreciation	746	30	776
Impairment of goodwill arising from acquisition of an associated company	<u>          </u>	<u>          </u>	<u>150</u>

## Notes to the Accounts

(Continued)

**3. Turnover, revenue and segment information** (Continued)**Secondary reporting format – geographical segments**

The Group operates in the following main geographical areas

	2003					Total HK\$'000
	Hong Kong HK\$'000	Asia Pacific HK\$'000	South Africa HK\$'000	Europe HK\$'000	Others HK\$'000	
Gross turnover	683,965	40,707	24,792	16,457	9,223	775,144
Less: inter-segment sales	(106,229)	(8,233)	(4,983)	-	-	(119,445)
Segment turnover	<u>577,736</u>	<u>32,474</u>	<u>19,809</u>	<u>16,457</u>	<u>9,223</u>	<u>655,699</u>
Segment results	<u>20,920</u>	<u>22</u>	<u>1,517</u>	<u>596</u>	<u>334</u>	<u>23,389</u>
Unallocated costs						<u>(630)</u>
Operating profit						<u>22,759</u>
Segment assets	154,570	11,885	15,382	-	-	181,837
Capital expenditure	<u>822</u>	<u>392</u>	<u>651</u>	<u>-</u>	<u>-</u>	<u>1,865</u>

## Notes to the Accounts

(Continued)

## 3. Turnover, revenue and segment information (Continued)

## Secondary reporting format – geographical segments (Continued)

	2002					Total HK\$'000
	Hong Kong HK\$'000	Asia Pacific HK\$'000	South Africa HK\$'000	Europe HK\$'000	Others HK\$'000	
Gross turnover	280,711	26,950	7,473	12,203	10,136	337,473
Less: inter-segment sales	(27,491)	(1,870)	(879)	–	–	(30,240)
Segment turnover	<u>253,220</u>	<u>25,080</u>	<u>6,594</u>	<u>12,203</u>	<u>10,136</u>	<u>307,233</u>
Segment results	<u>6,691</u>	<u>(941)</u>	<u>(73)</u>	<u>322</u>	<u>268</u>	6,267
Unallocated costs						<u>(672)</u>
Operating profit						<u>5,595</u>
Segment assets	123,900	8,974	6,650	–	–	139,524
Capital expenditure	<u>1,169</u>	<u>902</u>	<u>866</u>	<u>–</u>	<u>–</u>	<u>2,937</u>

## Notes to the Accounts

(Continued)

**4. Operating profit**

Operating profit is stated after charging and crediting the following:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
<b>Charging</b>		
Bad debts written off	24	–
Provision for doubtful debts	39	402
Provision for slow-moving inventories	1,825	–
Impairment of goodwill arising from acquisition of an associated company	–	150
Depreciation	1,380	776
Operating lease rentals of premises	7,180	4,675
Net exchange loss	–	1
Net loss on disposal of fixed assets	–	167
Auditors' remuneration	648	560
	<hr/>	<hr/>
<b>Crediting</b>		
Reversal of write-down of inventories	–	3,873
Net gain on disposal of fixed assets	5	–
Net exchange gain	1,314	–
	<hr/>	<hr/>

**5. Finance costs**

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Interest on bank loans and overdrafts	336	–
	<hr/>	<hr/>

## Notes to the Accounts

(Continued)

**6. Taxation**

Taxation comprised:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Current taxation:		
– Hong Kong profits tax	<b>3,420</b>	1,073
– PRC enterprise income tax	–	71
– Other overseas taxation	<b>694</b>	–
– (Over)/under provision in prior years	<b>(1,220)</b>	286
Deferred taxation ( <i>note 22</i> )	–	108
	<b>2,894</b>	1,538

The Company is exempted from taxation in Bermuda until 2016.

Hong Kong profits tax has been provided at the rate of 16% (2002: 16%) on the estimated assessable profit arising in or derived from Hong Kong.

The Group has a representative office in Mainland China which is subject to PRC enterprise income tax at a rate of 15% on the deemed net profit based on total expenditure incurred by the representative office. No provision for PRC enterprise income tax has been made (2002: HK\$71,000) as the representative office had no activities during the year.

Mobicon Electronic Trading (Shenzhen) Limited (“MET”) being a foreign investment enterprise established in the free trade zone of Futian, Shenzhen, PRC, is subject to PRC enterprise income tax at the rate of 15%. No provision for PRC enterprise income tax has been made as MET is still in a tax loss position.

Taxation on profits of the other overseas subsidiaries has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the subsidiaries operate.

**7. Profit attributable to shareholders**

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$9,028,000 (2002: HK\$5,000,000).

## Notes to the Accounts

(Continued)

## 8. Dividends

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Interim, paid, of HK2 cents (2002: HK2.5 cents) per ordinary share	<b>4,000</b>	5,000
Final, proposed, of HK2 cents (2002: nil) per ordinary share	<b>4,000</b>	–
	<b>8,000</b>	5,000

At a meeting held on 3rd July 2003, the directors of the Company proposed a final dividend of HK2 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits as at 31st March 2003.

## 9. Earnings per share

The calculation of basic earnings per share for the year ended 31st March 2003 is based on the Group's profit attributable to shareholders of approximately HK\$17,929,000 (2002: HK\$4,403,000). The basic earnings per share for the year ended 31st March 2003 is based on the 200,000,000 ordinary shares in issue during the year. The basic earnings per share for the year ended 31st March 2002 is based on the weighted average number of 195,479,000 shares deemed to be in issue throughout the year, on the basis of preparation in connection to the Reorganisation as detailed in note 1.

No diluted earnings per share is presented as there were no potential dilutive ordinary shares in issue during the years ended 31st March 2003 and 2002.

## 10. Staff costs

Staff costs, including directors' emoluments, represent:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Wages and salaries	<b>34,213</b>	24,875
Pension costs – defined contribution plans	<b>1,411</b>	1,108
Provision for long-service payments	<b>1,604</b>	–
	<b>37,228</b>	25,983

## Notes to the Accounts

(Continued)

### 10. Staff costs (Continued)

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"). The MPF Scheme is a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its employees makes monthly contribution to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The employer and employees' contribution is subject to a cap of monthly earnings of HK\$20,000.

Mobicon-Remote Electronic Sdn. Bhd., a 50.1% owned subsidiary of the Group, has arranged for its employees in Malaysia to join the Employee Provident Fund Scheme (the "EPF Scheme"). The EPF Scheme is a defined contribution scheme managed by the government of Malaysia. Under the EPF Scheme, the employer and its employees make monthly contribution to the scheme at 11% and 12%, respectively, of the employees' earnings as defined under the Employee Provident Fund Act 1991, and has no further obligations for the actual pension payments or post-retirement benefits beyond its contributions. The relevant government agency is responsible for the pension obligation payable to all retired employees.

Mobicon-Remote Electronic Pte. Ltd., a wholly-owned subsidiary of the Group, has arranged for its employees in Singapore, to join the Central Provident Fund Scheme (the "CPF Scheme"). The CPF Scheme is a defined contribution scheme managed by the government of Singapore. Under the CPF Scheme, the employer and its employees make monthly contribution to the scheme at 20% and 16%, respectively, of the employees' earnings as defined under the Central Provident Fund Act, and has no further obligations for the actual pension payments or post-retirement benefits beyond its contributions. The relevant government agency is responsible for the pension obligation payable to all retired employees.

As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement plans for its employees in Mainland China as determined by the relevant local governments, which are defined contribution plans. The Group contributes approximately 10% to 17% of the basic salaries of its employees in Mainland China and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plans are responsible for the pension obligations payable to retired employees.

## Notes to the Accounts

(Continued)

**11. Directors' and senior executives' emoluments****(a) Directors' emoluments**

Details of emoluments paid to the directors of the Company are as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Fees for executive directors	–	–
Fees for non-executive directors	<b>200</b>	200
Other emoluments for executive directors		
– Basic salaries and allowances	<b>4,290</b>	4,290
– Contributions to provident fund	<b>48</b>	48
	<hr/> <b>4,538</b> <hr/>	<hr/> 4,538 <hr/>

No directors waived any emoluments during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director during the year.

The number of directors whose remuneration fell within the following bands are as follows:

	<b>Number of directors</b>	
	<b>2003</b>	2002
Non-executive directors		
– Nil to HK\$1,000,000	<b>2</b>	2
Executive directors		
– Nil to HK\$1,000,000	<b>2</b>	2
– HK\$1,000,001 to HK\$1,500,000	<b>2</b>	2
	<hr/> <b>6</b> <hr/>	<hr/> 6 <hr/>



## Notes to the Accounts

*(Continued)***11. Directors' and senior executives' emoluments** *(Continued)***(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include four (2002: four) executive directors whose emoluments have been disclosed above. Details of emoluments paid to the remaining individual are as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Basic salaries and allowances	<b>1,107</b>	418
Contributions to provident fund	<b>12</b>	12
	<b><u>1,119</u></b>	<u>430</u>

During the year, no emoluments were paid to the above individual as inducement to join or upon joining the Group or as compensation for loss of office.

## Notes to the Accounts

(Continued)

## 12. Fixed assets

	Group			Total HK\$'000
	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	
Cost				
At 1st April 2002	5,944	2,982	2,394	11,320
Exchange adjustment	(19)	207	176	364
Additions	489	1,225	151	1,865
Disposals	(2)	(147)	–	(149)
<b>At 31st March 2003</b>	<b>6,412</b>	<b>4,267</b>	<b>2,721</b>	<b>13,400</b>
Accumulated depreciation				
At 1st April 2002	4,902	1,818	1,642	8,362
Exchange adjustment	33	37	32	102
Charge for the year	459	626	295	1,380
Disposals	–	(26)	–	(26)
<b>At 31st March 2003</b>	<b>5,394</b>	<b>2,455</b>	<b>1,969</b>	<b>9,818</b>
Net book value				
<b>At 31st March 2003</b>	<b>1,018</b>	<b>1,812</b>	<b>752</b>	<b>3,582</b>
At 31st March 2002	1,042	1,164	752	2,958

## Notes to the Accounts

(Continued)

## 13. Investments in subsidiaries

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	67,297	67,297
Due from subsidiaries	27,496	31,496
	94,793	98,793

The amounts due from subsidiaries are unsecured, non-interest bearing and not repayable on or before 1st April 2004.

The underlying value of investment in subsidiaries is, in the opinion of the directors, not less than their carrying values as at 31st March 2003.

Details of the subsidiaries as at 31st March 2003, all held indirectly by the Company (except for Mobicon (BVI) Limited), are as follows:

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital/ registered capital	Percentage of equity interest held	Principal activities and place of operations
A Plus Electronic Company Limited	Hong Kong, limited liability company	Ordinary HK\$100 Non-voting deferred HK\$1,000,000 (i)	100%	Trading and distribution of computer products and accessories in Hong Kong
A Plus Computer Holdings Limited	British Virgin Islands, limited liability company	Ordinary US\$800,000	51%	Investment holding in Hong Kong

## Notes to the Accounts

(Continued)

## 13. Investments in subsidiaries (Continued)

<b>Name</b>	<b>Place of incorporation and kind of legal entity</b>	<b>Issued and fully paid share capital/ registered capital</b>	<b>Percentage of equity interest held</b>	<b>Principal activities and place of operations</b>
A Plus 2 Computer Limited	Hong Kong, limited liability company	Ordinary HK\$1,000	55%	Trading and distribution of computer products and accessories in Hong Kong
A Power Limited	Hong Kong, limited liability company	Ordinary HK\$500,000	70%	Trading and distribution of computer products and accessories in Hong Kong
Arkia Advance Limited	Hong Kong, limited liability company	Ordinary HK\$1,000	100%	Trading and distribution of electronic parts, components and equipment in Hong Kong
DV Power Limited	Hong Kong, limited liability company	Ordinary HK\$10,000	50%(ii)	Trading and distribution of electronic parts, components and equipment in Hong Kong

## Notes to the Accounts

(Continued)

## 13. Investments in subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital/ registered capital	Percentage of equity interest held	Principal activities and place of operations
Future-Tech Computer Limited	Hong Kong, limited liability company	Ordinary HK\$1,000	50%(ii)	Trading and distribution of computer products and accessories in Hong Kong
Langa Holdings (Pty) Ltd. (iii)	South Africa, limited liability company	Ordinary ZAR100	51%	Investment holding in South Africa
Mantech Electronics (Cape) (Pty) Ltd. (iii)	South Africa, limited liability company	Ordinary ZAR100	51%	Trading and distribution of electronic parts, components and equipment in South Africa
Mantech Electronics (JHB) (Pty) Ltd. (iii)	South Africa, limited liability company	Ordinary ZAR100	51%	Trading and distribution of electronic parts, components and equipment in South Africa
Mantech Electronics (KZN) (Pty) Ltd. (iii)	South Africa, limited liability company	Ordinary ZAR100	51%	Trading and distribution of electronic parts, components and equipment in South Africa

## Notes to the Accounts

(Continued)

## 13. Investments in subsidiaries (Continued)

<b>Name</b>	<b>Place of incorporation and kind of legal entity</b>	<b>Issued and fully paid share capital/ registered capital</b>	<b>Percentage of equity interest held</b>	<b>Principal activities and place of operations</b>
Mantech Electronics (Midrand) (Pty) Ltd. (iii)	South Africa, limited liability company	Ordinary ZAR100	51%	Trading and distribution of electronic parts, components and equipment in South Africa
MCU Power Limited	Hong Kong, limited liability company	Ordinary HK\$1,000	100%	Trading and distribution of electronic parts, components and equipment in Hong Kong
Milliard Devices Limited	Hong Kong, limited liability company	Ordinary HK\$1,000	100%	Trading and distribution of electronic parts, components and equipment in Hong Kong
Mobicon (BVI) Limited	British Virgin Islands, limited liability company	Ordinary US\$10,000	100%	Investment holding in Hong Kong
Mobicon Agent Limited	Hong Kong, limited liability company	Ordinary HK\$10,000	100%	Trading and distribution of electronic parts, components and equipment in Hong Kong

## Notes to the Accounts

(Continued)

## 13. Investments in subsidiaries (Continued)

<b>Name</b>	<b>Place of incorporation and kind of legal entity</b>	<b>Issued and fully paid share capital/ registered capital</b>	<b>Percentage of equity interest held</b>	<b>Principal activities and place of operations</b>
Mobicon Holdings Limited	Hong Kong, limited liability company	Ordinary HK\$10	100%	Trading and distribution of electronic parts, components and equipment in Hong Kong
Mobicon International Limited	British Virgin Islands, limited liability company	Ordinary US\$100	100%	Investment holding in Hong Kong
Mobicon Malaysia Limited	British Virgin Islands, limited liability company	Ordinary US\$1	100%	Investment holding in Hong Kong
Mobicon-Mantech Holdings Ltd.	British Virgin Islands, limited liability company	Ordinary US\$1,000	51%	Investment holding in Hong Kong
Mobicon Electronic Trading (Shenzhen) Limited (iii)	PRC, wholly owned foreign enterprise	Registered capital HK\$2,000,000	100%	Trading and distribution of electronic parts, components and equipment in PRC
Mobicon-Remote Electronic Pte. Ltd.	Singapore, limited liability company	Ordinary S\$2	100%	Trading and distribution of electronic parts, components and equipment in Singapore

## Notes to the Accounts

(Continued)

## 13. Investments in subsidiaries (Continued)

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital/ registered capital	Percentage of equity interest held	Principal activities and place of operations
Mobicon-Remote Electronic Sdn. Bhd.	Malaysia, limited liability company	Ordinary RM1,000,000	50.1%	Trading and distribution of electronic parts, components and equipment in Malaysia
M-Tec Electronic Limited	Hong Kong, limited liability company	Ordinary HK\$100,000	100%	Trading and distribution of electronic parts, components and equipment in Hong Kong
Partners 2 Limited	British Virgin Islands, limited liability company	Ordinary US\$100	100%	Investment holding in Hong Kong
PC Master Limited	Hong Kong, limited liability company	Ordinary HK\$1,000	100%	Trading and distribution of computer products and accessories in Hong Kong

- (i) The non-voting deferred shares are not owned by the Group. The shares have no voting rights, are not entitled to dividend, and are not entitled to any distributions upon winding up unless a sum of HK\$10 billion had been distributed to the holders of ordinary shares.



## Notes to the Accounts

(Continued)

**13. Investments in subsidiaries** (Continued)

- (ii) The directors are of the view that the Group has control over the financial and operating policies of DV Power Limited and Future-Tech Computer Limited and accordingly they are accounted for as subsidiaries.
- (iii) These subsidiaries are not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 1% of the Group's net assets.

None of the subsidiaries had any loan capital in issue at any time during the year ended 31st March 2003.

**14. Interest in an associated company**

	<b>2003</b>	<b>Group</b>
	<b>HK\$'000</b>	2002
		<i>HK\$'000</i>
Unlisted shares, at cost	<b>300</b>	300
Impairment of goodwill arising from acquisition of an associated company	<b>(150)</b>	(150)
	<b>150</b>	150
Accumulated share of losses	<b>(302)</b>	(11)
Share of net (liabilities)/assets	<b>(152)</b>	139
Due from an associated company ( <i>note b</i> )	<b>1,050</b>	–
	<b>898</b>	139

- (a) Details of the associated company as at 31st March 2003, held indirectly by the Company are:

Name	Place of incorporation and kind of legal entity	Percentage of equity interest held	Principal activity and place of operation
Create Tech Software Systems Limited	Hong Kong, limited liability company	30%	Design of computer software in Hong Kong

## Notes to the Accounts

(Continued)

### 14. Interest in an associated company (Continued)

(b) The balance due from an associated company is unsecured, with interest charged based on Hong Kong dollar prime rate per annum and repayable on demand.

### 15. Inventories

Inventories consisted of electronic part, components and equipment and computer products and accessories.

As at 31st March 2003, the carrying amount of inventories that were carried at net realisable value amounted to approximately HK\$15,758,000 (2002: HK\$11,749,000).

### 16. Accounts receivable

The Group normally grants to its customers credit periods for sales of goods ranging from 14 to 60 days. The ageing analysis of accounts receivable is stated as follows:

	<b>2003</b>	<b>Group</b>
	<b>HK\$'000</b>	2002
		<i>HK\$'000</i>
0 to 60 days	<b>58,688</b>	30,839
61 to 120 days	<b>5,489</b>	3,407
121 to 180 days	<b>500</b>	1,390
181 to 365 days	<b>827</b>	1,053
	<hr/>	<hr/>
	<b>65,504</b>	36,689
Less: Provision for doubtful debts	<b>(406)</b>	(402)
	<hr/>	<hr/>
	<b>65,098</b>	36,287
	<hr/>	<hr/>

### 17. Cash and bank balances

As at 31st March 2003, cash and bank balances of approximately HK\$27,000 (2002: nil) were denominated in Renminbi and kept in Mainland China. The remittance of these funds out of Mainland China is subject to the foreign exchange control restriction imposed by the PRC government.

## Notes to the Accounts

(Continued)

## 18. Accounts payable

The ageing analysis of accounts payable is stated as follows:

	<b>2003</b>	<b>Group</b>
	<b>HK\$'000</b>	2002 HK\$'000
0 to 60 days	<b>34,392</b>	18,830
61 to 120 days	<b>1,345</b>	3,528
121 to 180 days	<b>204</b>	3,426
181 to 365 days	<b>961</b>	74
	<hr/> <b>36,902</b> <hr/>	<hr/> 25,858 <hr/>

## 19. Share capital

		<b>Authorised</b>
		<b>Ordinary shares of HK\$0.10 each</b>
	<i>Note</i>	<i>Number of shares</i>
		<i>HK\$'000</i>
Upon incorporation of the Company	(a)	1,000,000
Increase in authorised share capital	(b)	1,999,000,000
		<hr/> 200,000 <hr/>
As at 31st March 2002 and 31st March 2003		200,000
		<hr/> 200,000 <hr/>
		<b>Issued and fully paid</b>
		<b>Ordinary shares of HK\$0.10 each</b>
		<i>Number of shares</i>
		<i>HK\$'000</i>
Issue of shares	(a)	1,000,000
Issue of shares pursuant to the Reorganisation	(c)	1,000,000
Issue of shares through public offering and placing	(d)	50,000,000
Capitalisation of share premium	(e)	148,000,000
		<hr/> 20,000 <hr/>
As at 31st March 2002 and 31st March 2003		20,000
		<hr/> 20,000 <hr/>

## Notes to the Accounts

(Continued)

### 19. Share capital (Continued)

- (a) On 11th January 2001, the Company was incorporated with an authorised share capital of HK\$100,000, divided into 1,000,000 shares of HK\$0.10 each. All of these shares were issued and credited as nil paid.
- (b) On 18th April 2001, the Company's authorised share capital was increased from HK\$100,000 to HK\$200,000,000, by the creation of an additional 1,999,000,000 shares ranking pari passu with the then existing shares in all respects.
- (c) On 18th April 2001, the Company issued 1,000,000 shares which, together with the 1,000,000 shares issued upon incorporation, were credited as fully paid as consideration for the acquisition of the entire issued share capital of Mobicon (BVI) Limited, the intermediate holding company.
- (d) On 3rd May 2001, 50,000,000 shares were issued at HK\$1 per share through a public offering and placing ("the New Issue"), resulting in cash proceeds of HK\$50,000,000.
- (e) Immediately after the New Issue, share premium of approximately HK\$14,800,000 was capitalised by the issuance of 148,000,000 shares of HK\$0.10 each on a pro-rata basis to the Company's shareholders before the New Issue.
- (f) There were no movements of share capital during the year ended 31st March 2003.

### 20. Share option scheme

On 18th April 2001, the Company approved a share option scheme under which the Company's directors may, at their discretion, invite any employees of the Company or any of its subsidiaries, including any executive directors, to take up options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10% of the issued share capital of the Company. The subscription price will be determined by the Company's board of directors and will be the highest of (i) the nominal value of the shares, (ii) the quoted closing prices of the Company's shares on the trade day immediately preceding the date of offer of the options, and (iii) the average of the quoted closing price of the Company's shares on the five trading days immediately preceding the date of offer of the options. The scheme became effective upon the listing of the Company's shares on 7th May 2001. No options have been granted up to 31st March 2003.

## Notes to the Accounts

(Continued)

## 21. Reserves

	<b>Share premium</b>	<b>Capital reserve</b>	<b>Group Exchange reserve</b>	<b>Retained Profits</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1st April 2001	–	–	–	66,296	66,296
Premium on issue of ordinary shares (note 19(d))	45,000	–	–	–	45,000
Share issue expenses	(13,494)	–	–	–	(13,494)
Capitalisation of share premium (note 19(e))	(14,800)	–	–	–	(14,800)
Effect of the Reorganisation (note a)	–	800	–	–	800
Profit for the year	–	–	–	4,403	4,403
Dividend	–	–	–	(5,000)	(5,000)
	<u>16,706</u>	<u>800</u>	<u>–</u>	<u>65,699</u>	<u>83,205</u>
As at 31st March 2002					
Company and subsidiaries	16,706	800	–	65,710	83,216
Associated company	–	–	–	(11)	(11)
	<u>16,706</u>	<u>800</u>	<u>–</u>	<u>65,699</u>	<u>83,205</u>
As at 31st March 2002					
As at 1st April 2002	16,706	800	–	65,699	83,205
Profit for the year	–	–	–	17,929	17,929
Dividend	–	–	–	(4,000)	(4,000)
Exchange difference arising on translation of the accounts of foreign subsidiaries	–	–	124	–	124
	<u>16,706</u>	<u>800</u>	<u>124</u>	<u>79,628</u>	<u>97,258</u>
<b>As at 31st March 2003</b>					
Representing:					
2003 final dividend				4,000	
Others				75,628	
				<u>79,628</u>	
Company and subsidiaries	16,706	800	124	79,930	97,560
Associated company	–	–	–	(302)	(302)
	<u>16,706</u>	<u>800</u>	<u>124</u>	<u>79,628</u>	<u>97,258</u>
<b>As at 31st March 2003</b>					

## Notes to the Accounts

(Continued)

## 21. Reserves (Continued)

	Company			Total HK\$'000
	Share premium HK\$'000	Contributed surplus HK\$'000 (note b)	Retained profits HK\$'000	
As at 1st April 2001	–	–	–	–
Premium on issue of ordinary shares (note 19(d))	45,000	–	–	45,000
Share issue expenses	(13,494)	–	–	(13,494)
Capitalisation of share premium (note 19(e))	(14,800)	–	–	(14,800)
Effect of the Reorganisation	–	67,097	–	67,097
<b>As at 31st March 2002</b>	<b>16,706</b>	<b>67,097</b>	<b>–</b>	<b>83,803</b>
As at 1st April 2002	16,706	67,097	–	83,803
Profit for the year	–	–	9,028	9,028
Dividend	–	–	(4,000)	(4,000)
<b>As at 31st March 2003</b>	<b>16,706</b>	<b>67,097</b>	<b>5,028</b>	<b>88,831</b>
Representing:				
2003 final dividend			4,000	
Others			1,028	
			<u>5,028</u>	

## Notes to the Accounts

(Continued)

**21. Reserves** (Continued)

Note:

- (a) Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through exchanges of shares pursuant to the Reorganisation (see note 1).
- (b) Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through exchanges of shares pursuant to the Reorganisation (see note 1).
- (c) Under the Companies Act 1981 of Bermuda (as amended), retained profits and contributed surplus are distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of retained profits and contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

**22. Deferred taxation**

	<b>2003</b>	<b>Group</b>
	<b>HK\$'000</b>	2002
		HK\$'000
At beginning of year	<b>108</b>	–
Transfer from profit and loss account (note 6)	–	108
	<hr/>	<hr/>
At end of year	<b>108</b>	108
	<hr/>	<hr/>

The deferred taxation represents the taxation effect of the accelerated depreciation allowances for taxation purposes.

As at 31st March 2003, the Group had unprovided deferred tax asset, primarily representing the tax effects of cumulative tax losses (subject to the approval of the relevant tax authorities), amounting to approximately HK\$904,000 (2002: HK\$758,000).

## Notes to the Accounts

(Continued)

## 23. Consolidated cash flow statement

(a) Analysis of changes in financing during the year:

	<b>Share capital including premium</b>	<b>Dividends payable</b>	<b>Due to directors</b>	<b>Short- term bank loans</b>	<b>Minority interests</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1st April 2001	1,000	28,772	9,946	–	765
Proceeds from issuance of shares	50,000	–	–	–	–
Share issue expenses	(13,494)	–	–	–	–
Effect of the Reorganisation <i>(note 21(a))</i>	(800)	–	–	–	–
Repayment to directors	–	–	(9,946)	–	–
Capital contributions from minority shareholders	–	–	–	–	1,177
Attributable to acquisition of additional interests in subsidiaries	–	–	–	–	(765)
Minority interests' share of losses	–	–	–	–	(357)
Interim dividend declared	–	5,000	–	–	–
Dividends paid	–	(33,772)	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31st March 2002	36,706	–	–	–	820
Capital contributions from minority shareholders	–	–	–	–	1
Minority interests' share of profits and exchange reserves	–	–	–	–	1,432
New loans payable	–	–	–	7,000	–
Interim dividend declared	–	4,000	–	–	–
Dividend paid	–	(3,952)	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>As at 31st March 2003</b>	<b>36,706</b>	<b>48</b>	<b>–</b>	<b>7,000</b>	<b>2,253</b>



## Notes to the Accounts

(Continued)

**23. Consolidated cash flow statement** (Continued)**(b) Analysis of cash and cash equivalents**

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Cash and bank balances	<u>20,553</u>	<u>26,675</u>

**24. Commitments****(a) Capital commitments**

	<b>2003</b> <b>HK\$'000</b>	<b>Group</b> 2002 HK\$'000
Addition to fixed assets – contracted but not provided for	<u>1,000</u>	<u>–</u>

As at 31st March 2003 and 2002, the Company did not have any significant capital commitment.

**(b) Commitments under operating leases**

As at 31st March 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>2003</b> <b>HK\$'000</b>	<b>Group</b> 2002 HK\$'000
– Not later than one year	<u>5,234</u>	4,903
– Later than one year and not later than five years	<u>6,768</u>	<u>10,238</u>
	<u>12,002</u>	<u>15,141</u>

As at 31st March 2003 and 2002, the Company did not have any significant commitments under operating leases.

## Notes to the Accounts

(Continued)

## 25. Contingent liabilities

	Company	
	2003 HK\$'000	2002 HK\$'000
Guarantees provided by the Company in respect of bank facilities of a subsidiary	<u>45,000</u>	<u>30,000</u>

As at 31st March 2003, the utilised amount of such facilities covered by the Company's guarantee amounted to HK\$7,000,000 (2002: nil).

As at 31st March 2003 and 2002, the Group did not have any significant contingent liabilities.

## 26. Related party transactions

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.

(a) Particulars of significant transactions between the Group and related parties are summarised below:

	Note	2003 HK\$'000	2002 HK\$'000
Management fee received from an associated company	(i)	138	69
Interest income received from an associated company		24	–
Rentals paid/payable to:			
– M-Bar Limited	(ii)	2,452	2,772
– Mr. Hung Kim Fung, Measure and Ms. Yeung Man Yi, Beryl	(ii)	<u>440</u>	<u>480</u>

Note:

- (i) Management fee was received from an associated company, Create Tech Software System Limited at a fixed monthly rate of HK\$11,500 per month for use and lease of facilities of the Group.
- (ii) M-Bar Limited is a wholly-owned subsidiary of Mobicon Electronic Supplies Company Limited, a company beneficially owned by Mr. Hung Kim Fung, Measure (30%), Ms. Yeung Man Yi, Beryl (30%), Mr. Hung Ying Fung (20%) and Mr. Yeung Kwok Leung, Allix (20%), directors and substantial shareholders of the Company. The lease agreements with M-Bar Limited and Mr. Hung Kim Fung, Measure and Ms. Yeung Man Yi, Beryl were entered into at terms as agreed between the contracting parties.

## Notes to the Accounts

(Continued)

### 26. Related party transactions (Continued)

- (b) Included in prepayments, deposits and other receivables were rental deposits paid to M-Bar Limited of approximately HK\$382,000 (2002: HK\$462,000).
- (c) Included in accruals and other payables was an amount due to a minority shareholder of approximately HK\$4,385,000 (2002: HK\$4,680,000). The amount is unsecured, interest-free and repayable on demand.

### 27. Subsequent events

On 24th April 2003, the Group acquired a 100% interest in Videocom Technology (HK) Limited ("Videocom"), a company incorporated in Hong Kong, at consideration of approximately HK\$54,000, from certain minority shareholders of a subsidiary. Videocom is principally engaged in the trading and distribution of computer products and accessories. On the same date, the Group underwent a reorganisation to streamline the trading and distribution of computer products and accessories business by transferring the interests in certain subsidiaries engaging in the relevant business to a 51% owned subsidiary. In this connection, the Group recorded gain on dilution of interests in subsidiaries amounting to approximately HK\$476,000.

### 28. Comparative figures

- (a) Certain comparative figures of the consolidated profit and loss account have been reclassified to conform with the current year's presentation. The comparative figure of other revenues has been restated to include interest income. Certain expenses, such as selling staff costs, have been reclassified from general and administrative expenses to distribution and selling expenses. Such reclassifications have no effects on the consolidated profit attributable to shareholders.
- (b) Certain comparative figures of the consolidated cash flow statement have been reclassified to conform with the current year's presentation due to the adoption of SSAP15 (revised).

### 29. Approval of accounts

The accounts were approved by the board of directors on 3rd July 2003.