

NOTES TO THE ACCOUNTS

1. Group reorganisation and operations

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.

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 revised SSAP 12 "Income Taxes" issued by HKSA which is effective for accounting periods commencing on or after 1st January 2003.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out below.

(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") adopt 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.

Notes to the Accounts

2. Principal accounting policies *(Continued)*

(b) Group accounting *(Continued)*

(i) Consolidation *(Continued)*

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.

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

Notes to the Accounts

2. Principal accounting policies *(Continued)*

(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.

(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.

Notes to the Accounts

2. Principal accounting policies *(Continued)*

(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.

(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

2. Principal accounting policies *(Continued)*

(k) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was 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 was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, but has no material effect on the Group's result for the current and the prior years.

(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.

Notes to the Accounts

2. Principal accounting policies *(Continued)*

(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.

(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 and amount due from an associated company. Segment liabilities comprise operating liabilities and exclude items such as taxation. 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.

Notes to the Accounts

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. Revenue recognised during the year are as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Turnover		
Sales of electronic parts, components and equipment	591,684	437,458
Sales of computer products and accessories	568,245	218,241
	<u>1,159,929</u>	<u>655,699</u>
Other revenue		
Management fee from an associated company (note 26(a))	138	138
Commission income	56	79
Interest income from bank deposits	58	94
Interest income from an associated company (note 26(a))	75	24
	<u>327</u>	<u>335</u>
Total revenue	<u>1,160,256</u>	<u>656,034</u>

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

Notes to the Accounts

3. Turnover, revenue and segment information (Continued)

Primary reporting format – business segments (Continued)

	Electronic products HK\$'000	2004 Computer products HK\$'000	Total HK\$'000
Turnover	<u>591,684</u>	<u>568,245</u>	<u>1,159,929</u>
Segment results	<u>40,052</u>	<u>(268)</u>	39,784
Unallocated costs			<u>(168)</u>
Operating profit			39,616
Finance costs			(847)
Share of loss of an associated company			<u>(274)</u>
Profit before taxation			38,495
Taxation			<u>(6,723)</u>
Profit after taxation			31,772
Minority interests			<u>(3,137)</u>
Profit attributable to shareholders			<u>28,635</u>
Segment assets	246,982	52,438	299,420
Interest in an associated company			492
Unallocated assets			<u>11</u>
Total assets			<u>299,923</u>
Segment liabilities	126,813	22,366	149,179
Unallocated liabilities			<u>3,804</u>
Total liabilities			<u>152,983</u>
Other information			
Capital expenditure	2,425	874	3,299
Depreciation	1,563	309	1,872
Write off of goodwill arising from acquisition of a subsidiary	-	54	54
Provision for doubtful debts	337	-	337
Provision for slow-moving inventories	<u>6,157</u>	<u>432</u>	<u>6,589</u>

Notes to the Accounts

3. Turnover, revenue and segment information (Continued)

Primary reporting format – business segments (Continued)

	Electronic products HK\$'000	2003 Computer products HK\$'000	Total HK\$'000
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	1,324	56	1,380
Provision for doubtful debts	39	–	39
Provision for slow-moving inventories	<u>1,735</u>	<u>90</u>	<u>1,825</u>

Notes to the Accounts

3. Turnover, revenue and segment information (Continued)

Secondary reporting format – geographical segments

The Group operates in the following main geographical areas:

	2004					Total HK\$'000
	Hong Kong HK\$'000	Asia Pacific HK\$'000	South Africa HK\$'000	Europe HK\$'000	Others HK\$'000	
Gross turnover	1,205,509	84,721	39,570	26,088	8,189	1,364,077
Less: inter-segments sales	(176,807)	(21,031)	(6,310)	–	–	(204,148)
Segment turnover	<u>1,028,702</u>	<u>63,690</u>	<u>33,260</u>	<u>26,088</u>	<u>8,189</u>	<u>1,159,929</u>
Segment results	<u>31,225</u>	<u>1,670</u>	<u>3,822</u>	<u>2,015</u>	<u>1,052</u>	39,784
Unallocated costs						(168)
Operating profit						<u>39,616</u>
Segment assets	257,983	20,037	21,903	–	–	299,923
Capital expenditure	<u>2,612</u>	<u>94</u>	<u>593</u>	<u>–</u>	<u>–</u>	<u>3,299</u>

	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-segments 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>	23,389
Unallocated costs						(630)
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

4. Operating profit

Operating profit is stated after charging and crediting the following:

	2004 HK\$'000	2003 HK\$'000
Charging		
Bad debts written off	841	24
Provision for doubtful debts	337	39
Provision for slow-moving inventories	6,589	1,825
Depreciation	1,872	1,380
Operating lease rentals of premises	11,832	7,180
Auditors' remuneration	648	648
	<u> </u>	<u> </u>
Crediting		
Gain on disposals of subsidiaries (i)	525	–
Net gain on disposal of fixed assets	20	5
Net exchange gain	1,949	1,314
	<u> </u>	<u> </u>

Note:

- (i) 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. 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\$525,000.

5. Finance costs

	2004 HK\$'000	2003 HK\$'000
Interest on bank loans and overdrafts	847	336
	<u> </u>	<u> </u>

Notes to the Accounts

6. Taxation

The amount of taxation charged to the consolidated profit and loss account represents:

	2004 HK\$'000	2003 HK\$'000
Current taxation:		
– Hong Kong profits tax	5,724	3,420
– Overseas taxation	910	694
– Under/(over) provision in prior years	98	(1,220)
Deferred taxation relating to the origination and reversal of temporary differences	(9)	–
Taxation charges	<u>6,723</u>	<u>2,894</u>

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Group as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	<u>38,495</u>	<u>22,132</u>
Calculated at a taxation rate of 17.5% (2003: 16%)	6,737	3,541
Effect of different taxation rates in other countries	482	128
Tax losses of subsidiaries not recognised	(90)	(429)
Utilisation of previously unrecognised tax losses	(394)	(142)
Others	(12)	(204)
Taxation charge	<u>6,723</u>	<u>2,894</u>

The Company is exempted from taxation in Bermuda until 2016.

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit arising in or derived from Hong Kong. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004.

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.

Notes to the Accounts

7. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$11,260,000 (2003: HK\$9,028,000).

8. Dividends

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interim, paid, of HK2 cents (2003: HK2 cents) per ordinary share	4,000	4,000
Final, proposed, of HK3 cents (2003: HK2 cents) per ordinary share	<u>6,000</u>	<u>4,000</u>
	<u>10,000</u>	<u>8,000</u>

At a meeting held on 5th July 2004, the directors of the Company proposed a final dividend of HK3 cents per ordinary share (Note 21).

9. Earnings per share

The calculation of basic earnings per share for the year ended 31st March 2004 is based on the Group's profit attributable to shareholders of approximately HK\$28,635,000 (2003: HK\$17,929,000) and on the 200,000,000 (2003: 200,000,000) ordinary shares in issue during the year.

No diluted earnings per share is presented as there were no potential dilutive ordinary shares in issue during the years ended 31st March 2004 and 2003.

10. Staff costs

Staff costs, including directors' emoluments, represent:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Wages and salaries	48,555	34,213
Pension costs – defined contribution plans	1,940	1,411
Provision for long-service payments	<u>269</u>	<u>1,604</u>
	<u>50,764</u>	<u>37,228</u>

Notes to the Accounts

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 12% and 9-11%, 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 13% – 16% and 20%, 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.

The other companies do not have any employee retirement schemes for their employees.

Notes to the Accounts

11. Directors' and senior executives' emoluments

(a) Directors' emoluments

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Fees for executive directors	–	–
Fees for non-executive directors	200	200
Other emoluments for executive directors		
– Basic salaries and allowances	4,225	4,290
– Contributions to provident fund	48	48
	<u>4,473</u>	<u>4,538</u>

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:

	Number of directors	
	2004	2003
Non-executive directors		
– Nil to HK\$1,000,000	2	2
Executive directors		
– Nil to HK\$1,000,000	2	2
– HK\$1,000,001 to HK\$1,500,000	2	2
	<u>6</u>	<u>6</u>

Notes to the Accounts

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 (2003: four) executive directors whose emoluments have been disclosed above. Details of emoluments paid to the remaining individual are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Basic salaries and allowances	707	1,107
Contributions to provident fund	-	12
	707	1,119

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

12. Fixed assets

	Group			Total HK\$'000
	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	
Cost				
At 1st April 2003	6,412	4,267	2,721	13,400
Exchange adjustment	35	26	121	182
Acquisition of a subsidiary (Note 23(c))	321	181	–	502
Additions	712	2,244	343	3,299
Disposals	(2)	(112)	(592)	(706)
At 31st March 2004	7,478	6,606	2,593	16,677
Accumulated depreciation				
At 1st April 2003	5,394	2,455	1,969	9,818
Exchange adjustment	23	24	43	90
Acquisition of a subsidiary (Note 23(c))	64	37	–	101
Charge for the year	603	915	354	1,872
Disposals	(1)	(71)	(521)	(593)
At 31st March 2004	6,083	3,360	1,845	11,288
Net book value				
At 31st March 2004	1,395	3,246	748	5,389
At 31st March 2003	1,018	1,812	752	3,582

Notes to the Accounts

13. Investments in subsidiaries

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares/investment, at cost	67,297	67,297
Due from subsidiaries	36,792	27,496
	<u>104,089</u>	<u>94,793</u>

The amounts due from subsidiaries are unsecured, non-interest bearing and not repayable on or before 1st April 2005.

The underlying value of investment in subsidiaries is, in the opinion of the directors, not less than their carrying values as at 31st March 2004.

Details of the subsidiaries as at 31st March 2004, 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)	51%(ii)	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
A Plus 2 Computer Limited	Hong Kong, limited liability company	Ordinary HK\$1,000	26%(ii)	Trading and distribution of computer products and accessories in Hong Kong

Notes to the Accounts

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
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\$1,000,000	70%	Trading and distribution of electronic parts, components and equipment in Hong Kong
Conwise Power 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%(iii)	Trading and distribution of electronic parts, components and equipment in Hong Kong
Langa Holdings (Pty) Ltd. (iv)	Republic of South Africa, limited liability company	Ordinary ZAR100	51%	Investment holding in South Africa

Notes to the Accounts

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
Mantech Electronics (Cape) (Pty) Ltd. (iv)	Republic of 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. (iv)	Republic of 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. (iv)	Republic of 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
MEC Quartz Limited	Hong Kong, limited liability company	Ordinary HK\$10,000	55%	Trading and distribution of electronic parts, components and equipment in Hong Kong

Notes to the Accounts

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
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
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

Notes to the Accounts

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-Mantech Holdings Limited	British Virgin Islands, limited liability company	Ordinary US\$1,000	51%	Investment holding in Hong Kong
Mobicon Electronic Trading (Shenzhen) Limited (iv)	PRC, wholly-owned foreign enterprise	Registered capital HK\$2,000,000	100%	Trading and distribution of electronic parts, components and equipment in the PRC
Mobicon-Remote Electronic Pte Ltd. (iv)	Republic of Singapore, limited liability company	Ordinary S\$2	100%	Trading and distribution of electronic parts, components and equipment in Singapore
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

Notes to the Accounts

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
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	45.9%(ii)	Trading and distribution of computer products and accessories in Hong Kong
Sensor Power Limited	Hong Kong, limited liability company	Ordinary HK\$1,000	100%	Trading and distribution of electronic parts, components and equipment in Hong Kong
Videocom Technology (HK) Limited	Hong Kong, limited liability company	Ordinary HK\$2	51%(ii)	Trading and distribution of computer products and accessories in Hong Kong
Videocom 298 Limited	Hong Kong, limited liability company	Ordinary HK\$35,000	30.6%(ii)	Trading and distribution of computer products and accessories in Hong Kong

Notes to the Accounts

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
Videocom Freetron Limited	Hong Kong, limited liability company	Ordinary HK\$2,000,000	35.7%(ii)	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.
- (ii) These companies are subsidiaries of the Group as they are majority owned by A Plus Computer Holdings Limited, a 51% subsidiary.
- (iii) The directors are of the view that the Group has control over the financial and operating policies of DV Power Limited and accordingly it is accounted for as a subsidiary.
- (iv) These subsidiaries are not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 4% 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 2004.

Notes to the Accounts

14. Interest in an associated company

	2004 HK\$'000	Group 2003 HK\$'000
Unlisted shares, at cost	300	300
Impairment of goodwill arising from acquisition of an associated company	(150)	(150)
	<u>150</u>	<u>150</u>
Accumulated share of losses	(576)	(302)
	<u>(426)</u>	<u>(152)</u>
Share of net liabilities	(426)	(152)
	<u>918</u>	<u>1,050</u>
Due from an associated company	918	1,050
	<u>492</u>	<u>898</u>

(a) Details of the associated company as at 31st March 2004, 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

(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 parts, components and equipment and computer products and accessories.

As at 31st March 2004, the carrying amount of inventories that were carried at net realisable value amounted to approximately HK\$12,682,000 (2003: HK\$15,758,000).

Notes to the Accounts

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:

	2004 HK\$'000	Group 2003 HK\$'000
0 to 60 days	91,027	58,688
61 to 120 days	7,322	5,489
121 to 180 days	2,113	500
181 to 365 days	1,322	827
	<hr/>	<hr/>
	101,784	65,504
Less: Provision for doubtful debts	(716)	(406)
	<hr/>	<hr/>
	101,068	65,098

17. Cash and bank balances

As at 31st March 2004, cash and bank balances of approximately HK\$871,000 (2003: HK\$27,000) 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.

18. Accounts payable

The ageing analysis of accounts payable is stated as follows:

	2004 HK\$'000	Group 2003 HK\$'000
0 to 60 days	69,363	34,392
61 to 120 days	4,093	1,345
121 to 180 days	429	204
181 to 365 days	532	961
	<hr/>	<hr/>
	74,417	36,902
	<hr/>	<hr/>

Notes to the Accounts

19. Share capital

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
200,000,000 ordinary shares of HK\$0.10 each	<u>20,000</u>	<u>20,000</u>

20. Share option scheme

On 8th August 2003, the Company terminated the share option scheme which was adopted by the Company on 18th April 2001 (the "Old Scheme") and adopted a new share option scheme (the "New Scheme") pursuant to which the eligible persons may be granted options to subscribe for shares of the Company upon and subject to the terms and conditions of the rules of the New Scheme. The New Scheme is in line with Charter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Reasons for the adoption of the New Scheme and summary of the principal terms of the rules of the New Scheme have been set out in the circular to the shareholders of the Company on 14th July 2003.

No options have been granted under the Old Scheme and the New Scheme up to the date of approval of these accounts.

Notes to the Accounts

21. Reserves

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Group Exchange reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
As at 31st March 2003	16,706	800	124	79,628	97,258
Company and subsidiaries	16,706	800	124	79,930	97,560
Associated company	–	–	–	(302)	(302)
As at 31st March 2003	16,706	800	124	79,628	97,258
As at 1st April 2003	16,706	800	124	79,628	97,258
Profit for the year	–	–	–	28,635	28,635
Dividend	–	–	–	(8,000)	(8,000)
Exchange difference on translation of the accounts of foreign subsidiaries	–	–	387	–	387
As at 31st March 2004	16,706	800	511	100,263	118,280
Representing:					
2004 final dividend				6,000	
Others				94,263	
				100,263	
Company and subsidiaries	16,706	800	511	100,839	118,856
Associated company	–	–	–	(576)	(576)
As at 31st March 2004	16,706	800	511	100,263	118,280

Notes to the Accounts

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 2002	16,706	67,097	–	83,803
Profit for the year	–	–	9,028	9,028
Dividend	–	–	(4,000)	(4,000)
As at 31st March 2003	<u>16,706</u>	<u>67,097</u>	<u>5,028</u>	<u>88,831</u>
As at 1st April 2003	16,706	67,097	5,028	88,831
Profit for the year	–	–	11,260	11,260
Dividend	–	–	(8,000)	(8,000)
As at 31st March 2004	<u>16,706</u>	<u>67,097</u>	<u>8,288</u>	<u>92,091</u>
Representing:				
2004 final dividend			6,000	
Others			<u>2,288</u>	
			<u>8,288</u>	

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 which took place on 18th April 2001.
- (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 which took place on 18th April 2001.
- (c) Under the Companies Act 1981 of Bermuda (as amended), retained profit 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 profit 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.

Notes to the Accounts

22. Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 16%).

The movement on the deferred tax liabilities account is as follows:

	2004	Group
	<i>HK\$'000</i>	2003
		<i>HK\$'000</i>
At 1st April	108	108
Acquisition of a subsidiary (<i>Note 23(c)</i>)	65	–
Deferred taxation credited to profit and loss account (<i>Note 6</i>)	(9)	–
	<hr/>	<hr/>
At 31st March	164	108
	<hr/>	<hr/>

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

As at 31st March 2004, 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\$283,000 (2003: HK\$904,000).

Notes to the Accounts

23. Consolidated cash flow statement

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

	Share capital including premium <i>HK\$'000</i>	Short-term bank loans <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
As at 1st April 2002	36,706	–	820
Capital contributions from minority shareholders	–	–	1
Minority interests' share of profits and exchange reserves	–	–	1,432
New loan payable	–	7,000	–
	<hr/>	<hr/>	<hr/>
As at 31st March 2003	36,706	7,000	2,253
Capital contributions from minority shareholders	–	–	3,452
Minority interests' share of profits and exchange reserves	–	–	3,495
New loan payable	–	50,241	–
Dividend paid	–	–	(540)
	<hr/>	<hr/>	<hr/>
As at 31st March 2004	<u>36,706</u>	<u>57,241</u>	<u>8,660</u>

(b) Analysis of cash and cash equivalents

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Cash and bank balances	<u>29,549</u>	<u>20,553</u>

Notes to the Accounts

23. Consolidated cash flow statement (Continued)**(c) Purchase of a subsidiary**

On 24th April 2003, the Group acquired the entire share capital of Videocom Technology (HK) Limited, a company incorporated in Hong Kong, which is engaged in trading and distribution of computer products and accessories. Consideration of approximately HK\$54,000 was settled in cash, resulting in goodwill on acquisition of approximately HK\$54,000. The acquired business contributed revenue of approximately HK\$242,150,000 and operating profit of approximately HK\$2,004,000 to the Group for the year.

The assets and liabilities arising from the acquisition are as follows:

	2004 HK\$'000
Net assets acquired	
Fixed assets (Note 12)	401
Inventories	5,387
Accounts receivable	3,323
Prepayments, deposits and other receivables	625
Cash and bank balances	768
Accounts payable	(7,264)
Accruals and other payables	(3,175)
Deferred taxation	(65)
	<hr/>
Fair value of net assets	–
Goodwill on acquisition	54
	<hr/>
Total purchase consideration	<u>54</u>

The subsidiaries acquired during the year utilised HK\$1,263,000 of the Group's net operating cash flows, utilised HK\$459,000 in respect for investing activities and contributed HK\$3,538,000 to the Group's financing activities.

Analysis of the net inflow in respect of the purchase of subsidiary:

	2004 HK\$'000
Cash consideration	54
Bank balances and cash in hand acquired	(768)
	<hr/>
Net cash inflow in respect of the purchase of subsidiary	<u>714</u>

Notes to the Accounts

24. Commitments

(a) Capital commitments

	2004 HK\$'000	Group 2003 HK\$'000
Addition to fixed assets – contracted but not provided for	<u>–</u>	<u>1,000</u>

(b) Commitments under operating leases

As at 31st March 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2004 HK\$'000	Group 2003 HK\$'000
Not later than one year	11,178	5,234
Later than one year and not later than five years	<u>6,662</u>	<u>6,768</u>
	<u>17,840</u>	<u>12,002</u>

25. Contingent liabilities

	2004 HK\$'000	Company 2003 HK\$'000
Guarantees provided by the Company in respect of bank facilities of a subsidiary	<u>103,385</u>	<u>45,000</u>

As at 31st March 2004, the utilised amount of such facilities covered by the Company's guarantee amounted to HK\$57,241,000 (2003: HK\$7,000,000).

Notes to the Accounts

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	2004 HK\$'000	2003 HK\$'000
Management fee received from an associated company	(i)	138	138
Interest income received from an associated company		75	24
Purchase of fixed assets from an associated company	(ii)	1,000	–
Rentals paid/payable to:			
– M-Bar Limited	(iii)	2,082	2,452
– Mr. Hung Kim Fung, Measure and Ms. Yeung Man Yi, Beryl	(iii)	–	440

Note:

- (i) Management fee was received from an associated company, Create Tech Software Systems Limited at a fixed monthly rate of HK\$11,500 per month for use and lease of facilities of the Group.
- (ii) During the year, the Company acquired certain fixed assets of HK\$1,000,000 from Create Tech Software Systems Limited, an associated company.
- (iii) 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 Ying Fung, Measure and Ms. Yeung Man Yi, Beryl were entered into at terms agreed between the contracting parties.
- (b) Included in prepayments, deposits and other receivables were rental deposits paid to M-Bar Limited of approximately HK\$382,000 (2003: HK\$382,000).
- (c) Included in accruals and other payables was an amount due to a minority shareholder of approximately HK\$5,537,000 (2003: HK\$4,385,000). The amount is unsecured, interest free and repayable on demand.

27. Comparative figures

Certain comparative figures of the balance sheets have been reclassified to conform with the current year's presentation.

28. Approval of accounts

The accounts were approved by the board of directors on 5th July 2004.