

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March, 2004

## 1. GENERAL

The Company was incorporated in Bermuda on 16th December, 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). In the opinion of directors, its ultimate holding company is Maple Securities Limited, a company which is incorporated in the British Virgin Islands.

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

Its shares are listed on The Stock Exchange of Hong Kong Limited.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard (“HKFRS”) issued by the Hong Kong Society of Accountants (“HKSA”). The term HKFRS is inclusive of Statements of Standard Accounting Practice (“SSAP(s)”) and Interpretations approved by the HKSA.

In the current year, the Group has adopted SSAP 12 (Revised) “Income taxes”. The principal effect of the implementation of SSAP12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the revised accounting policy has been applied retrospectively. The adoption of this SSAP has had no material effect on the results for the current or prior years. Accordingly, no prior year adjustment is required.

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

#### *Basis of consolidation*

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

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

#### *Investment in a subsidiary*

Investment in a subsidiary is included in the Company's balance sheet at cost less any identified impairment loss.

#### *Turnover*

Turnover represents the amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances.

#### *Revenue recognition*

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

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

Rental income under operating lease is recognised on a straight-line basis over the relevant lease term.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Property, plant and equipment*

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

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

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Development expenditure*

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

### *Impairment*

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

### *Unlisted investment*

Unlisted investment represents the investment in golf club debentures which are stated at cost less any identified impairment loss.

### *Leases*

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Leases (Continued)*

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight line basis over the lease terms.

#### *Foreign currencies*

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operations is disposed of.

#### *Taxation*

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (negative goodwill) or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Taxation (Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### *Inventories*

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

### *Properties held for sales*

Properties held for sales are stated at lower of cost and net realisable value.

### *Retirement benefits scheme contributions*

Payments to the defined contribution retirement benefits scheme and the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### *Business Segments*

For management purposes, the Group is currently organised into three operating divisions – design and manufacture of computer motherboard and network products, supply of computer related products and supply of mobile storage and related products. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Design and manufacture of computer motherboard and network products – Manufacturing and selling and research and development of computer motherboard and network products.
- Supply of computer related products – Marketing and supply of computer motherboards and related components.
- Supply of mobile storage and related products – Marketing and supply of mobile storage and related products.

Segment information about these businesses is presented below.

#### **Year ended 31st March, 2004**

	<b>Design and manufacture of computer motherboard and network products HK\$'000</b>	<b>Supply of computer related products HK\$'000</b>	<b>Supply of mobile storage and related products HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>TURNOVER</b>				
External sales	<u>44,104</u>	<u>643,490</u>	<u>52,790</u>	<u>740,384</u>
<b>RESULT</b>				
Segment result	<u>10,881</u>	<u>5,967</u>	<u>1,606</u>	18,454
Unallocated corporate income				40
Unallocated corporate expenses				(27,877)
Loss from operations				(9,383)
Finance costs				(492)
Loss for the year				<u>(9,875)</u>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### *Business Segments (Continued)*

At 31st March, 2004

#### BALANCE SHEET

	Design and manufacture of computer motherboard and network products <i>HK\$'000</i>	Supply of computer related products <i>HK\$'000</i>	Supply of mobile storage and related products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>ASSETS</b>				
Segment assets	32,257	2,875	774	35,906
Unallocated corporate assets				9,395
Consolidated total assets				<u>45,301</u>
<b>LIABILITIES</b>				
Segment liabilities	10,124	6,989	1,881	18,994
Unallocated corporate liabilities				6,317
Consolidated total liabilities				<u>25,311</u>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### *Business Segments (Continued)*

##### OTHER INFORMATION

	Design and manufacture of computer motherboard and network products <i>HK\$'000</i>	Supply of computer related products <i>HK\$'000</i>	Supply of mobile storage and related products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	3,456	-	-	-	3,456
Depreciation and amortisation	7,559	84	23	-	7,666
Gain on disposal of property, plant and equipment	(1,329)	-	-	-	(1,329)
Allowance for bad and doubtful debts	259	-	-	-	259
Allowance for properties held for sale	-	-	-	317	317
Allowance for slow-moving and obsolete inventories	1,096	-	-	-	1,096

Year ended 31st March, 2003

	Design and manufacture of computer motherboard and network products <i>HK\$'000</i>	Supply of computer related products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>TURNOVER</b>			
External sales	144,948	1,242,141	1,387,089
<b>RESULT</b>			
Segment result	(8,276)	9,539	1,263
Unallocated corporate income			120
Unallocated corporate expenses			(29,275)
Loss from operations			(27,892)
Finance costs			(757)
Loss before taxation			(28,649)
Taxation			(179)
Loss for the year			(28,828)

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### *Business Segments (Continued)*

At 31st March, 2003

#### BALANCE SHEET

	Design and manufacture of computer motherboard and network products <i>HK\$'000</i>	Supply of computer related products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>ASSETS</b>			
Segment assets	53,738	11,099	64,837
Unallocated corporate assets			24,878
Consolidated total assets			<u>89,715</u>
<b>LIABILITIES</b>			
Segment liabilities	13,591	32,728	46,319
Unallocated corporate liabilities			17,009
Consolidated total liabilities			<u>63,328</u>

#### OTHER INFORMATION

	Design and manufacture of computer motherboard and network products <i>HK\$'000</i>	Supply of computer related products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Capital additions	3,970	23	–	3,993
Depreciation and amortisation	7,856	167	–	8,023
Loss on disposal of property, plant and equipment	2,630	–	–	2,630
Allowance for bad and doubtful debts	246	–	–	246
Allowance for slow-moving and obsolete inventories	2,280	–	–	2,280
Impairment loss for unlisted investment	–	–	300	300

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### *Geographical Segments*

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC"). The Group's manufacture of computer motherboard and network products is carried out in the PRC, and supply of computer related products and mobile storage and related products is carried out in Hong Kong.

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

	Sales revenue by geographical market		Contribution to loss from operations	
	Year ended 31.3.2004 HK\$'000	Year ended 31.3.2003 HK\$'000	Year ended 31.3.2004 HK\$'000	Year ended 31.3.2003 HK\$'000
PRC	264,635	517,725	(2,923)	(7,858)
Hong Kong	257,522	292,010	(3,027)	(6,784)
North America	66,056	180,003	(775)	(4,680)
Asia Pacific	122,225	145,742	(1,274)	(2,142)
Europe	25,190	216,534	(291)	(5,523)
Others	4,756	35,075	(8)	271
	<u>740,384</u>	<u>1,387,089</u>	<u>(8,298)</u>	<u>(26,716)</u>
Unallocated corporate expenses			<u>(1,085)</u>	<u>(1,176)</u>
Loss from operations			<u>(9,383)</u>	<u>(27,892)</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### *Geographical Segments (Continued)*

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

	Carrying amount of segment assets		Additions to property, plant and equipment and intangible asset	
	At 31.3.2004 HK\$'000	At 31.3.2003 HK\$'000	Year ended 31.3.2004 HK\$'000	Year ended 31.3.2003 HK\$'000
PRC	16,988	29,215	723	806
Hong Kong	28,313	60,500	2,732	3,187
	<u>45,301</u>	<u>89,715</u>	<u>3,455</u>	<u>3,993</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 5. LOSS FROM OPERATIONS

	THE GROUP	
	2004	2003
	HK\$	HK\$
Loss from operations has been arrived at after charging:		
Directors' remuneration ( <i>Note 7</i> )		
Fees	180,000	180,000
Other emoluments	936,000	1,716,000
Retirement benefits contributions	12,000	22,000
	<u>1,128,000</u>	1,918,000
Other staff costs	5,288,817	9,956,339
	<u>6,416,817</u>	11,874,339
Total staff costs		
Allowance for bad and doubtful debts	258,613	246,272
Allowance for slow-moving and obsolete inventories	1,095,866	2,280,000
Amortisation of development costs (included in administrative expenses)	1,430,868	457,197
Auditors' remuneration		
Current year	260,000	260,570
Underprovision in prior years	39,580	1,616
Cost of inventories recognised as expense	716,723,560	1,375,797,929
Depreciation		
Owned assets	6,235,298	6,138,959
Assets under finance leases	-	1,426,967
Impairment loss for unlisted investment	-	300,000
Allowance for properties held for sales	317,181	-
Loss on disposal of property, plant and equipment	-	2,629,713
and after crediting:		
Interest income on bank deposits	39,956	120,710
Gain on disposal of property, plant and equipment	1,328,852	-
Net foreign exchange gains	109,608	335,532
Purchase discount	13,701,291	1,267,635
	<u>13,701,291</u>	<u>1,267,635</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 6. FINANCE COSTS

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$</b>	HK\$
Interest on:		
Bank borrowings wholly repayable within five years	<b>491,864</b>	680,384
Obligations under finance leases	<b>795</b>	76,550
	<b>492,659</b>	756,934

### 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

#### (a) Directors' emoluments

	<b>2004</b>	2003
	<b>HK\$</b>	HK\$
Directors' fees		
Executive	–	–
Independent non-executive	<b>180,000</b>	180,000
	<b>180,000</b>	180,000
Other emoluments of executive directors		
Salaries and other benefits	<b>936,000</b>	1,716,000
Contribution to pension scheme	<b>12,000</b>	22,000
	<b>1,128,000</b>	1,918,000

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

	<b>Number of directors</b>	
	<b>2004</b>	2003
Nil to HK\$1,000,000	<b>4</b>	4

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

#### (b) Employees' emoluments

The five highest paid individuals of the Group included one director (2003: two), details of whose emoluments are set out above. The emoluments of the remaining four (2003: three) highest paid individuals are as follows:

	<b>2004</b>	2003
	<b>HK\$</b>	HK\$
Salaries and other benefits	<b>2,253,339</b>	1,798,224
Contribution to pension scheme	<b>48,000</b>	36,000
	<b><u>2,301,339</u></b>	<u>1,834,224</u>

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

During two years ended 31st March, 2003 and 2004, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. During the year, one director has waived emoluments of HK\$936,000 (2003: HK\$156,000).

### 8. TAXATION

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$</b>	HK\$
The charge comprises:		
Underprovision of Hong Kong Profits Tax in previous years	–	178,469
Deferred taxation (note 21)	–	–
	<b><u>–</u></b>	<u>178,469</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Hong Kong subsidiaries of the Company have no assessable profit for both years. The Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from 2003/04 year of assessment.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 8. TAXATION (Continued)

The charge for the year can be reconciled to the loss per the income statement as follows:

	2004		2003	
	HK\$	%	HK\$	%
Loss before taxation	<u>(9,875,318)</u>		<u>(28,649,040)</u>	
Tax at the domestic income tax rate of 17.5% (2003: 16%)	(1,728,181)	(17.5)	(4,583,845)	(16.0)
Tax effect of expenses that are not deductible in determining taxable profit	691,817	7.0	6,282,844	21.9
Tax effect of income that are not taxable in determining taxable profit	(132,379)	(1.3)	(2,995,837)	(10.4)
Tax effect of underprovision in prior year	-	-	178,469	0.6
Tax effect of deferred tax assets not recognised	<u>1,168,743</u>	<u>11.8</u>	<u>1,296,838</u>	<u>4.5</u>
Tax expense and effective tax rate for the year	<u>-</u>	<u>-</u>	<u>178,469</u>	<u>0.6</u>

### 9. DIVIDENDS

No dividend was paid or proposed during 2004, nor has any dividend been proposed since 31st March, 2004.

Dividend amount for the year ended 31st March, 2003 represented HK\$0.01 final dividend per share paid for 2002.

### 10. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss for the year of HK\$9,875,318 (2003: HK\$28,827,509) and on the weighted average number of ordinary shares of 201,383,356 (2003: 188,110,301).

No amount had been presented for the diluted loss per share for both years, as the effect of the exercise of the outstanding share options of the Company would result in a decrease in loss per share.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 11. PROPERTY, PLANT AND EQUIPMENT

	Medium term leasehold land and buildings in Hong Kong HK\$	Leasehold improvements HK\$	Plant and machinery HK\$	Furniture, fixtures and equipment HK\$	Motor vehicles HK\$	Total HK\$
<b>THE GROUP</b>						
<b>COST OR VALUATION</b>						
At 1st April, 2003	5,760,000	6,904,907	33,624,409	13,952,613	2,237,661	62,479,590
Additions	–	–	711,163	13,991	–	725,154
Transfer to properties held for sales	(2,282,519)	–	–	–	–	(2,282,519)
Disposals	–	–	(2,684,352)	(1,048,449)	(2,237,661)	(5,970,462)
At 31st March, 2004	<u>3,477,481</u>	<u>6,904,907</u>	<u>31,651,220</u>	<u>12,918,155</u>	<u>–</u>	<u>54,951,763</u>
Comprising:						
At cost	–	6,904,907	31,651,220	12,918,155	–	51,474,282
At valuation – 2000	<u>3,477,481</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,477,481</u>
	<u>3,477,481</u>	<u>6,904,907</u>	<u>31,651,220</u>	<u>12,918,155</u>	<u>–</u>	<u>54,951,763</u>
<b>DEPRECIATION AND AMORTISATION</b>						
At 1st April, 2003	539,358	5,182,919	18,060,837	10,178,900	1,999,052	35,961,066
Provided for the year	93,810	772,743	4,450,542	778,868	139,335	6,235,298
Eliminated on transfer	(257,925)	–	–	–	–	(257,925)
Eliminated on disposals	–	–	(2,353,072)	(928,932)	(2,138,387)	(5,420,391)
At 31st March, 2004	<u>375,243</u>	<u>5,955,662</u>	<u>20,158,307</u>	<u>10,028,836</u>	<u>–</u>	<u>36,518,048</u>
<b>NET BOOK VALUES</b>						
At 31st March, 2004	<u>3,102,238</u>	<u>949,245</u>	<u>11,492,913</u>	<u>2,889,319</u>	<u>–</u>	<u>18,433,715</u>
At 31st March, 2003	<u>5,220,642</u>	<u>1,721,988</u>	<u>15,563,572</u>	<u>3,773,713</u>	<u>238,609</u>	<u>26,518,524</u>

The leasehold land and buildings as at 1st April, 2003 were revalued at 29th February, 2000 by Chesterton Petty Limited, an independent international property consultants, on an open market value basis, at an amount of HK\$5,760,000.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 11. PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31st March, 2004, the directors considered the carrying amount of the Group's leasehold land and buildings carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current year.

At 31st March, 2004, had the Group's leasehold land and buildings been carried at cost less accumulated depreciation and amortisation and accumulated impairment losses, the carrying value would have been approximately HK\$3,940,000 (2003: HK\$6,758,000).

The net book value of plant and machinery includes an amount of approximately HK\$9,307,000 in respect of assets held under finance leases at 31st March, 2003.

### 12. DEVELOPMENT COSTS

	<b>Development cost</b> <i>HK\$</i>
<b>THE GROUP</b>	
<b>COST</b>	
At 1st April, 2003	2,658,814
Addition	<u>2,730,696</u>
At 31st March, 2004	<u>5,389,510</u>
<b>AMORTISATION</b>	
At 1st April, 2003	457,197
Provided for the year	<u>1,430,868</u>
At 31st March, 2004	<u>1,888,065</u>
<b>NET BOOK VALUES</b>	
At 31st March, 2004	<u><u>3,501,445</u></u>
At 31st March, 2003	<u><u>2,201,617</u></u>

The amount represents direct development cost incurred for the development of "VCT 維思達" products, which is amortised on a straight-line basis over three years.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 13. UNLISTED INVESTMENT

	<b>THE GROUP</b> <b>2004 &amp; 2003</b> <i>HK\$</i>
Unlisted investment, at cost	911,407
Less: Impairment loss recognised	<u>(300,000)</u>
	<u><u>611,407</u></u>

The investment represents a golf club debenture. In 2003, the directors reviewed the carrying value of the unlisted investment of the Group at the balance sheet date and identified that the recoverable amount of the unlisted investment to be lower than the carrying amount with reference to the market value of the golf club debenture. Accordingly, an impairment loss of HK\$300,000 was recognised in the income statement in 2003.

### 14. INVESTMENT IN A SUBSIDIARY

	<b>THE COMPANY</b> <b>2004 &amp; 2003</b> <i>HK\$</i>
Unlisted shares, at cost	60,138,804
Less: Impairment loss recognised	<u>(52,800,000)</u>
	<u><u>7,338,804</u></u>

As at 31st March, 2003, the Group reviewed the carrying amounts of interests in subsidiaries and identified that the recoverable amount of certain subsidiaries are less than the carrying amounts. Accordingly, the carrying amounts of these subsidiaries are reduced to their respective recoverable amounts.

Details of the Company's subsidiaries at 31st March, 2004 are set out in note 31.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 15. INVENTORIES

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$</b>	<b>HK\$</b>
Raw materials	<b>4,203,480</b>	13,625,854
Work in progress	<b>1,036,472</b>	1,671,535
Finished goods	<b>4,194,009</b>	11,996,613
	<b><u>9,433,961</u></b>	<u>27,294,002</u>

Included above are raw materials of approximately HK\$921,360 (2003: HK\$13,626,000) and finished goods of approximately HK\$1,738,801 (2003: HK\$11,997,000) which are carried at net realisable value.

### 16. PROPERTIES HELD FOR SALES

	<b>2004</b>	2003
	<b>HK\$</b>	<b>HK\$</b>
At cost	<b>2,024,594</b>	–
Less: allowance for properties held for sales	<b>(317,181)</b>	–
	<b><u>1,707,413</u></b>	<u>–</u>

The properties held for sales are stated at net realisable value.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 17. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period of 30 days to its trade customers. Included in trade and other receivables are trade receivables of approximately HK\$2,754,000 (2003: HK\$4,364,000), the aged analysis of which at the balance sheet date is as follows:

	THE GROUP	
	2004 HK\$	2003 HK\$
Up to 30 days	2,012,241	4,183,513
31 – 60 days	564,302	9,401
61 – 90 days	75,496	12,148
More than 90 days	101,613	159,058
	<u>2,753,652</u>	<u>4,364,120</u>

### 18. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK\$12,150,000 (2003: HK\$41,247,000), the aged analysis of which at the balance sheet date is as follows:

	THE GROUP	
	2004 HK\$	2003 HK\$
Up to 30 days	8,722,706	28,731,644
31 – 60 days	339,638	10,299,795
61 – 90 days	549,265	731,999
More than 90 days	2,538,624	1,483,695
	<u>12,150,233</u>	<u>41,247,133</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 19. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
The maturity of obligations under finance leases is as follows:				
Within one year	-	31,992	-	31,788
Less: Future finance charges	-	(204)		
	<u>-</u>	<u>31,788</u>		
Present value of lease obligations	<u>-</u>	<u>31,788</u>		
Less: Amount due for settlement within one year (shown under current liabilities)			<u>-</u>	<u>(31,788)</u>
			<u>-</u>	<u>-</u>

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

### 20. SHORT-TERM BANK BORROWINGS

	THE GROUP	
	2004 HK\$	2003 HK\$
Short-term bank borrowings comprise:		
Bank loans	2,803,738	-
Trust receipt loans	3,194,010	16,913,381
	<u>5,997,748</u>	<u>16,913,381</u>
Secured	3,194,010	16,913,381
Unsecured	2,803,738	-
	<u>5,997,748</u>	<u>16,913,381</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 21. DEFERRED TAX

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	<b>Accelerated tax depreciation</b>	<b>Tax losses</b>	<b>Total</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>THE GROUP</b>			
At 1st April, 2002			
– as previously reported	–	–	–
– adjustment on adoption of SSAP 12 (Revised)	495,442	(495,442)	–
– as restated	495,442	(495,442)	–
(Credit) charge to income statement for the year	(194,358)	194,358	–
At 31st March, 2003 and 1st April, 2003	301,084	(301,084)	–
(Credit) charge to income statement	(220,714)	220,714	–
Effect of change in tax rate			
– charge (credit) to income statement	28,227	(28,227)	–
At 31st March, 2004	<u>108,597</u>	<u>(108,597)</u>	<u>–</u>

For the purposes of balance sheet presentation, the above deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised).

At 31st March, 2004, the Group has unused tax losses of approximately HK\$22,337,000 (2003: HK\$18,052,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$621,000 (2003: HK\$1,882,000). No deferred tax asset has been recognised in relation to the remaining unused tax losses of HK\$21,716,000 (2003: HK\$16,170,000) due to the unpredictability of future profit streams.

At the balance sheet date, the Group has other deductible temporary differences of approximately HK\$1,532,000 (2003: HK\$399,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 22. SHARE CAPITAL

	Number of shares		Value	
	2004	2003	2004 HK\$	2003 HK\$
Authorised:				
Ordinary shares of HK\$0.10 each				
At beginning and end of year	<b>1,000,000,000</b>	1,000,000,000	<b>100,000,000</b>	100,000,000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each				
At beginning of the year	<b>188,145,000</b>	188,000,000	<b>18,814,500</b>	18,800,000
Exercise of share option	–	145,000	–	14,500
Issue of shares	<b>16,000,000</b>	–	<b>1,600,000</b>	–
At end of year	<b>204,145,000</b>	188,145,000	<b>20,414,500</b>	18,814,500

Pursuant to a placing agreement dated 3rd June, 2003, an aggregate of 16,000,000 ordinary shares of HK\$0.10 each were placed by Tactful Finance Limited, a controlling shareholder of the Company, to independent investors at the price of HK\$0.238 per share. On completion of placing, Tactful Finance Limited subscribed for an aggregate of 16,000,000 new shares in the Company of HK\$0.10 each at the subscription price of HK\$0.238 per share so as to raise further working capital for the Company. These shares ranked *pari passu* with the then existing shares in all respects. The net proceeds from the subscription of approximately HK\$3,500,000 will be used by the Group to enhance the brandname “VCT 維思達” in the PRC which is used in the development, design and manufacturing of network products of the Group.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 23. RESERVES

	Share premium HK\$	Contributed surplus HK\$	Accumulated losses HK\$	Total HK\$
<b>THE COMPANY</b>				
At 1st April, 2002	22,998,827	41,138,804	(26,190,915)	37,946,716
Share issued at premium	20,300	–	–	20,300
Net loss for the year	–	–	(28,621,940)	(28,621,940)
Dividends	–	(1,881,150)	–	(1,881,150)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2003	23,019,127	39,257,654	(54,812,855)	7,463,926
Share issued at premium, net of issue expense	1,878,130	–	–	1,878,130
Net loss for the year	–	–	(10,434,767)	(10,434,767)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2004	<u>24,897,257</u>	<u>39,257,654</u>	<u>(65,247,622)</u>	<u>(1,092,711)</u>

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

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

At the balance sheet date, the Company had no distributable profits, which comprised contributed surplus and accumulated losses in aggregate.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 24. OPERATING LEASE ARRANGEMENTS

#### *The Group as lessee*

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$</b>	<b>HK\$</b>
Minimum lease payments paid under operating leases for premises recognised in the income statement for the year	<b>2,243,959</b>	2,213,912

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

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$</b>	<b>HK\$</b>
Within one year	<b>2,109,151</b>	1,810,161
In the second to fifth year inclusive	<b>4,445,361</b>	5,954,512
	<b>6,554,512</b>	7,764,673

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

#### *The Group as lessor*

Property rental income earned during the year was HK\$1,068,169 (2003: HK\$318,949). The Group has sub-leased its factory premises and leased its office premises and committed tenants for next three and a half years.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 24. OPERATING LEASE ARRANGEMENTS (Continued)

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2004	2003
	HK\$	HK\$
Within one year	1,108,554	921,892
In the second to fifth year inclusive	1,018,550	1,867,030
	<u>2,127,104</u>	<u>2,788,922</u>

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

### 25. BANKING FACILITIES

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

1. bank deposits of the Group of HK\$1,600,000 (2003: HK\$5,500,000);
2. the Group's leasehold land and buildings with a net book value of approximately HK\$3,100,000 (2003: HK\$3,200,000);
3. cross-guarantees between subsidiaries.

As at 31st March, 2004 and 2003, the Company provided an unlimited corporate guarantee in respect of credit facilities granted to a subsidiary.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 26. OTHER COMMITMENTS

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

	<b>2004</b> <b>HK\$</b>	2003 HK\$
Contracted for the contribution of registered capital to PRC subsidiaries	<b>19,929,000</b>	19,929,000
Contracted for the payment of a management fee to a party in the PRC under a management agreement which expires over five years	<b>47,000</b>	47,000
	<b><u>19,976,000</u></b>	<b><u>19,976,000</u></b>

### 27. SHARE OPTION SCHEME

Pursuant to the share option scheme adopted on 29th April, 2000 (the "Old Option Scheme"), the board of directors of the Company may offer to full time employees, including full time executive directors, of the Company and/or its subsidiaries who have completed the probation period options to subscribe for shares in the Company in accordance with the terms of the Old Option Scheme for the consideration of HK\$1 for each lot of share options granted. The primary purpose of the Old Option Scheme is to provide incentives to the directors and eligible employees of the Group. The total number of shares in respect of which options may be granted under the Old Option Scheme is not permitted to exceed 10% of the shares of the Company in issue from time to time excluding any shares issued under the Old Option Scheme. The number of shares in respect of which options may be granted to any employee, if exercised in full and when aggregated with the total number of shares already issued upon the exercise of options previously granted to an employee, is not permitted to exceed 25% of the aggregate number of shares for the time being issued and issuable under the Old Option Scheme. Options granted must be taken up within 28 days of the date of grant or such longer or shorter period as the board of directors of the Company may think fit. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the board of directors may at their discretion determine the specific exercise period and exercise price. The exercise price is determined by the board of directors of the Company, and shall be the higher of a price being not less than 80% of the average closing prices of the shares for the five business days immediately preceding the date of grant and the nominal value of a share.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 27. SHARE OPTION SCHEME (Continued)

Due to changes in the Rules Governing the Listing of Securities on the Stock Exchange, the Old Option Scheme was terminated at the Extraordinary General Meeting held on 3rd September, 2003. As a result, no further options will be granted under the Old Option Scheme. However, the options previously granted under the Old Option Scheme shall remain in full force and effect.

A new share option scheme (the "New Option Scheme"), which will expire on 2nd September, 2013, was adopted by the Company at the Extraordinary General Meeting held on 3rd September, 2003. The primary purpose of the New Option Scheme is to provide incentives or rewards the employees and other persons who may have contribution to the Group, and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group. Under the New Option Scheme, the board of directors of the Company may offer to full time employees, including full time executive directors and non-executive directors, of the Company and/or its subsidiaries to subscribe for shares in the Company in accordance with the terms of the New Option Scheme for the consideration of HK\$1 for each lot of share options granted. The total number of shares in respect of which options may be granted under the New Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of approval of the New Option Scheme. The Company may seek approval from shareholders of the Company in general meeting to refresh the 10% limit. In addition, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of the Company's shares in issue from time to time. The number of shares in respect of which options may be granted to any employee in any 12-month period is not permitted to exceed 1% of the total number of the Company's shares of the Company in issue, subject to approval from shareholders of the Company. Options granted must be taken within 28 days of the date of grant or such longer or shorter period as the board of directors of the Company may think fit. An option may be exercised at any time, during a period determined and notified by the Board of Directors by each grantee, to the 10th anniversary of the date of grant. The exercise price is determined by the board of directors of the Company and will be at least the highest of the followings:

- a) the closing price of shares at the date of grant of a share option;
- b) the average closing price of the shares for the five business days immediately preceding the date of grant; and
- c) the nominal value of a share.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

## 27. SHARE OPTION SCHEME (Continued)

Movements in the share options granted to the directors and the employees of the Company during the year are as follows:

	Option type	Exercise price HK\$	Notes	Number of share options outstanding at beginning of the year	Granted during the year	Exercised during the year	Number of Lapsed/ cancelled during the year	Number of share options outstanding at end of the year
<b>2003</b>								
Directors	5th September, 2000	0.770	(1)	600,000	-	-	-	600,000
	21st May, 2001	0.260	(2)	10,000,000	-	-	(600,000)	9,400,000
				10,600,000	-	-	(600,000)	10,000,000
Employees	15th July, 2000	0.568	(3)	3,050,000	-	-	(850,000)	2,200,000
	29th January, 2001	0.240	(4)&(5)	1,570,000	-	(145,000)	(265,000)	1,160,000
				4,620,000	-	(145,000)	(1,115,000)	3,360,000
				15,220,000	-	(145,000)	(1,715,000)	13,360,000
<b>2004</b>								
Directors	5th September, 2000	0.770	(1)	600,000	-	-	-	600,000
	21st May, 2001	0.260	(2)	9,400,000	-	-	-	9,400,000
				10,000,000	-	-	-	10,000,000
Employees	15th July, 2000	0.568	(3)	2,200,000	-	-	(375,000)	1,825,000
	29th January, 2001	0.240	(4)	1,160,000	-	-	(340,000)	820,000
				3,360,000	-	-	(715,000)	2,645,000
				13,360,000	-	-	(715,000)	12,645,000

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 27. SHARE OPTION SCHEME (Continued)

Notes:

- (1) The exercise period is divided into two tranches with 50% exercisable during the period from 26th August, 2001 to 25th August, 2005 and the other 50% exercisable during the period from 26th August, 2002 to 25th August, 2005.
- (2) The exercise period is from 7th May, 2002 to 6th May, 2006.
- (3) The exercise period is divided into three tranches with 40% exercisable during the period from 15th January, 2001 to 14th July, 2005, 30% exercisable during the period from 15th July, 2001 to 14th July, 2005 and 30% exercisable during the period from 15th January, 2002 to 14th July, 2005.
- (4) The exercise period is divided into two tranches with 50% exercisable during the period from 29th January, 2002 to 28th January, 2006 and the other 50% exercisable during the period from 29th July, 2002 to 28th January, 2006.
- (5) The closing prices of the Company's shares immediately before 24th May, 2002 and 6th November, 2002, the dates on which the options were exercised, were HK\$0.49 and HK\$0.28 respectively.

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercise period	Exercise price
15th July, 2000	15th July, 2000	15th July, 2000 to 14th January, 2001	15th January, 2001 to 14th July, 2005	HK\$0.568
5th September, 2000	5th September, 2000	5th September, 2000 to 25th August, 2001	26th August, 2001 to 25th August, 2005	HK\$0.770
29th January, 2001	29th January, 2001	29th January, 2001 to 28th January, 2002	29th January, 2002 to 28th January, 2006	HK\$0.240
21st May, 2001	21st May, 2001	21st May, 2001 to 6th May, 2002	7th May, 2002 to 6th May, 2006	HK\$0.260

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 28. RETIREMENT BENEFITS SCHEME

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

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

The Group’s cost for the MPF charged to income statement for the year ended 31st March, 2004 amounted to approximately HK\$191,000 (2003: HK\$267,000).

The employees in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government.

The Company is required to make contributions to the defined contribution pension scheme in the PRC based on 8% of the monthly salaries of its current employees to fund the benefits. The PRC government is responsible for the pension liability to these retired staff. The pension scheme contributions made by the Company for the year is approximately HK\$218,000 (2003: HK\$395,000).

### 29. POST BALANCE SHEET EVENTS

Subsequent to 31st March, 2004, the Group disposed of three properties held for sales for an aggregate consideration of HK\$1,250,000.

### 30. RELATED PARTY TRANSACTIONS

During the year, the Group disposed of two motor vehicles to Mr. Chang Chung Wa, Eddie at a consideration of HK\$950,000. The pricing of the above transactions was determined by the directors on the basis of estimated market value.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 31. SUBSIDIARIES

Details of the Company's subsidiaries at 31st March, 2004 are as follows:

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 31. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and paid up share capital/ registered capital	Principal activities
深圳華基粵海科技有限公司 Shenzhen Huaji Yuehai Technologies Company Limited ("Shenzhen Huaji") (Note (ii))	PRC	Registered capital US\$5,000,000 (Note (iii))	Manufacturing, marketing and research and development of computer motherboards, computer related products and network products
Treasureland Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary US\$10,000	Investment holding
Vida Design Limited	Hong Kong	Ordinary HK\$20,000	Marketing, development and supply of computer related products and supply of storage mobile and related products
Zida Industrial Limited	Hong Kong	Ordinary HK\$10,000	Manufacture of computer motherboards and system
Zida Information Technologies Limited	Hong Kong	Ordinary HK\$10,000	Marketing, development and supply of computer related products and supply of mobile storage and related products
Zida International Holding Limited	British Virgin Islands/ Hong Kong	Ordinary US\$12,500	Investment holding
Zida Manufacturing Holding Limited	British Virgin Islands/ Hong Kong	Ordinary US\$1	Investment holding
Zida Technologies Holding Limited	Hong Kong	Ordinary HK\$10,000	Investment holding
Zida Technologies Limited	Hong Kong	Ordinary HK\$2,000,000	Manufacture, marketing and research and development on computer motherboards and computer related products and network products

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31st March, 2004

### 31. SUBSIDIARIES (Continued)

Notes:

- (i) As at 31st March, 2004, the registered capital was paid up to the extent of US\$411,700 (2003: US\$411,700).
- (ii) Shenzhen Huaji was established as a co-operative joint venture enterprise for a term of 30 years commencing from 16th July, 1999. Under the relevant joint venture agreement, the Group is responsible for managing the operations of this company. The Group accounts for this enterprise as a wholly-owned subsidiary since the Group is accountable for all of the results of the operations and is also responsible for all its assets and liabilities after the payment of a fixed amount to the PRC party each year during the term of the joint venture.
- (iii) As at 31st March, 2004, the registered capital was paid up to the extent of US\$4,536,707 (2003: US\$4,536,707).

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

Huadian is a wholly-owned foreign investment enterprise while Shenzhen Huaji is a sino-foreign cooperative enterprise.

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