

Notes to the Financial Statements

For the year ended 31st March, 2005

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). As at 31st March, 2005, in the opinion of directors, its ultimate holding company is Maple Securities Limited, a company which is incorporated in the British Virgin Islands. Its ultimate holding company changed to True Ever Group Limited with effective on 11th April, 2005. Change of ownership are details in the Company's announcement on 11th April, 2005.

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. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005 except for HKFRS 3 Business Combinations. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st March, 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1st January, 2005. The Group has not entered into any business combination for which the agreement date is on or after 1st January, 2005. Therefore HKFRS 3 did not have any impact on the Group for the year ended 31st March, 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties 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.

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, 2005

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 amounts, 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 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%

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.

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, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as revaluation deficit under that Standard.

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

Unlisted investment

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

Leases

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.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 sale

Properties held for sale 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.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts 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 the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

4. TURNOVER

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

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

5. 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 |

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business Segments (Continued)

Segment information about these businesses is presented below.

Year ended 31st March, 2005

	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>
TURNOVER	<u>18,560</u>	<u>438,949</u>	<u>93,749</u>	<u>551,258</u>
RESULT				
Segment result	<u>3,718</u>	<u>1,750</u>	<u>1,458</u>	6,926
Unallocated corporate income				61
Unallocated corporate expenses				<u>(14,021)</u>
Loss from operations				(7,034)
Finance costs				<u>(172)</u>
Net loss for the year				<u>(7,206)</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business Segments (Continued)

At 31st March, 2005

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>
ASSETS				
Segment assets	21,189	1,650	1,989	24,828
Unallocated corporate assets				11,031
Consolidated total assets				<u>35,859</u>
LIABILITIES				
Segment liabilities	7,836	3,475	2,769	14,080
Unallocated corporate liabilities				8,995
Consolidated total liabilities				<u>23,075</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business Segments (Continued)

At 31st March, 2005

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	1,973	-	-	-	1,973
Depreciation and amortisation	6,375	94	1	-	6,470
Loss on disposal of property, plant and equipment	65	-	-	-	65
Allowance for bad and doubtful debts	406	-	-	-	406
Allowance for properties held for sale	-	-	-	107	107
Allowance for slow-moving and obsolete inventories	2,998	-	-	-	2,998
Impairment loss on unlisted investment	366	-	-	-	366
Revaluation deficit of property, plant and equipment	-	-	-	200	200
	<u>-</u>	<u>-</u>	<u>-</u>	<u>200</u>	<u>200</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business Segments (Continued)

Year ended 31st March, 2004

	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>
TURNOVER				
External sales	<u>44,104</u>	<u>643,490</u>	<u>52,790</u>	<u>740,384</u>
RESULT				
Segment result	<u>10,881</u>	<u>5,967</u>	<u>1,606</u>	18,454
Unallocated corporate income				40
Unallocated corporate expenses				<u>(27,877)</u>
Loss from operations				(9,383)
Finance costs				<u>(492)</u>
Net loss for the year				<u>(9,875)</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

5. 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>
ASSETS				
Segment assets	32,257	2,875	774	35,906
Unallocated corporate assets				9,395
				<u>45,301</u>
Consolidated total assets				<u><u>45,301</u></u>
LIABILITIES				
Segment liabilities	10,124	6,989	1,881	18,994
Unallocated corporate liabilities				6,317
				<u>25,311</u>
Consolidated total liabilities				<u><u>25,311</u></u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

5. 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	3,455	–	–	–	3,455
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
	<u>1,096</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,096</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

5. 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	
	Year ended 31.3.2005 HK\$'000	Year ended 31.3.2004 HK\$'000
Hong Kong	258,054	257,522
The PRC	138,305	264,635
North America	21,131	66,056
Asia Pacific	87,989	122,225
Europe	42,059	25,190
Others	3,720	4,756
	<u>551,258</u>	<u>740,384</u>

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 31.3.2005 HK\$'000	At 31.3.2004 HK\$'000	Year ended 31.3.2005 HK\$'000	Year ended 31.3.2004 HK\$'000
The PRC	10,900	16,988	24	723
Hong Kong	24,959	28,313	1,949	2,732
	<u>35,859</u>	<u>45,301</u>	<u>1,973</u>	<u>3,455</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

6. LOSS FROM OPERATIONS

	THE GROUP	
	2005 HK\$	2004 HK\$
Loss from operations has been arrived at after charging:		
Directors' remuneration (Note 8)		
Fees	225,000	180,000
Other emoluments	1,248,000	936,000
Retirement benefits contributions	16,000	12,000
	<u>1,489,000</u>	1,128,000
Other staff costs	3,649,237	5,288,817
Total staff costs	5,138,237	6,416,817
Allowance for bad and doubtful debts	406,333	258,613
Allowance for properties held for sale	107,413	317,181
Allowance for slow-moving and obsolete inventories	2,998,226	1,095,866
Amortisation of development costs (included in administrative expenses)	2,175,841	1,430,868
Auditors' remuneration		
Current year	335,034	260,000
Underprovision in prior years	14,400	39,580
Cost of inventories recognised as expense	534,953,944	716,723,560
Depreciation of property, plant and equipment	4,293,970	6,235,298
Impairment loss on unlisted investment	366,407	–
Loss on disposal of property, plant and equipment	64,622	–
Revaluation deficit of property, plant and equipment	200,000	–
and after crediting:		
Interest income on bank deposits	114,029	39,956
Gain on disposal of property, plant and equipment	–	1,328,852
Net foreign exchange gains	7,946	109,608
Purchase discount (included in cost of sales)	3,246,999	13,701,291
	<u><u>3,246,999</u></u>	<u><u>13,701,291</u></u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

7. FINANCE COSTS

	THE GROUP	
	2005	2004
	HK\$	HK\$
Interest on:		
Bank borrowings wholly repayable within five years	171,476	491,864
Obligations under finance leases	–	795
	<u>171,476</u>	<u>492,659</u>

8. 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

	2005		2004	
	HK\$		HK\$	
Directors' fees				
Executive	–		–	
Independent non-executive	225,000		180,000	
	<u>225,000</u>		<u>180,000</u>	
Other emoluments of executive directors				
Salaries and other benefits	1,248,000		936,000	
Retirement benefits contributions	16,000		12,000	
	<u>1,489,000</u>		<u>1,128,000</u>	

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

	Number of directors	
	2005	2004
Nil to HK\$1,000,000	<u>5</u>	<u>4</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(b) *Employees' emoluments*

The five highest paid individuals of the Group included two directors (2004: one director), details of whose emoluments are set out above. The emoluments of the remaining three (2004: four) highest paid individuals are as follows:

	2005 HK\$	2004 HK\$
Salaries and other benefits	1,179,900	2,253,339
Contribution to pension scheme	30,000	48,000
	<u>1,209,900</u>	<u>2,301,339</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, 2004 and 2005, 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\$624,000 (2004: HK\$936,000).

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

9. TAXATION

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

	2005 <i>HK\$</i>	2004 <i>HK\$</i>
Net loss for the year	<u>(7,206,151)</u>	<u>(9,875,318)</u>
Tax at the domestic income tax rate of 17.5%	(1,261,075)	(1,728,181)
Tax effect of expenses that are not deductible in determining taxable profit	347,455	691,817
Tax effect of income that are not taxable in determining taxable profit	(789)	(132,379)
Utilisation of deferred tax assets previously not recognised	(301,408)	–
Tax effect of deferred tax assets not recognised	<u>1,215,817</u>	<u>1,168,743</u>
Tax expense for the year	<u>–</u>	<u>–</u>

10. DIVIDEND

No dividend was paid or proposed during 2005, nor has any dividend been proposed since 31st March, 2005.

11. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss for the year of HK\$7,206,151 (2004: HK\$9,875,318) and on 204,145,000 ordinary shares (2004: weighted average 201,383,356 ordinary shares) in issue during the year.

Diluted loss per share was not presented 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, 2005

12. 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\$	Total HK\$
THE GROUP					
COST OR VALUATION					
At 1st April, 2004	3,477,481	6,904,907	31,651,220	12,918,155	54,951,763
Additions	–	–	23,925	24,492	48,417
Disposals	–	–	(145,738)	(99,681)	(245,419)
Deficit on valuation	(200,000)	–	–	–	(200,000)
At 31st March, 2005	3,277,481	6,904,907	31,529,407	12,842,966	54,554,761
Comprising:					
At cost	–	6,904,907	31,529,407	12,842,966	51,277,280
At valuation – 2005	3,277,481	–	–	–	3,277,481
	3,277,481	6,904,907	31,529,407	12,842,966	54,554,761
DEPRECIATION AND AMORTISATION					
At 1st April, 2004	375,243	5,955,662	20,158,307	10,028,836	36,518,048
Provided for the year	93,811	772,742	2,957,997	469,420	4,293,970
Eliminated on disposals	–	–	(57,931)	(77,202)	(135,133)
At 31st March, 2005	469,054	6,728,404	23,058,373	10,421,054	40,676,885
NET BOOK VALUES					
At 31st March, 2005	2,808,427	176,503	8,471,034	2,421,912	13,877,876
At 31st March, 2004	3,102,238	949,245	11,492,913	2,889,319	18,433,715

The leasehold land and buildings were revalued at their open market value at 31st March, 2005 by Messrs. Goldrich Planners & Surveyors Limited, an independent professional valuer. This valuation gave rise to a deficit on revaluation of HK\$200,000 which has been charged to the income statement.

13. DEVELOPMENT COSTS

	Development cost <i>HK\$</i>
THE GROUP COST	
At 1st April, 2004	5,389,510
Additions	<u>1,924,917</u>
At 31st March, 2005	<u>7,314,427</u>
AMORTISATION	
At 1st April, 2004	1,888,065
Provided for the year	<u>2,175,841</u>
At 31st March, 2005	<u>4,063,906</u>
NET BOOK VALUES	
At 31st March, 2005	<u><u>3,250,521</u></u>
At 31st March, 2004	<u><u>3,501,445</u></u>

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

14. UNLISTED INVESTMENT

	THE GROUP	
	2005	2004
	HK\$	<i>HK\$</i>
Unlisted investment, at cost	911,407	911,407
Less: Impairment loss recognised	(666,407)	(300,000)
	<u>245,000</u>	<u>611,407</u>

The investment represents a golf club debenture. In 2005, 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 additional impairment loss of HK\$366,407 was recognised in the income statement for the year ended 31st March, 2005.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

15. INVESTMENT IN A SUBSIDIARY

	THE COMPANY
	2005 & 2004
	<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>

Details of the Company's subsidiaries at 31st March, 2005 are set out in note 32.

16. INVENTORIES

	THE GROUP	
	2005	2004
	<i>HK\$</i>	<i>HK\$</i>
Raw materials	1,007,341	4,203,480
Work in progress	812,235	1,036,472
Finished goods	2,140,232	4,194,009
	<u><u>3,959,808</u></u>	<u><u>9,433,961</u></u>

Included above are raw materials of approximately HK\$3,754,000 (2004: HK\$921,000), work in progress of HK\$1,041,000 (2004: Nil) and finished goods of approximately HK\$1,549,000 (2004: HK\$1,739,000) which are carried at net realisable value.

17. PROPERTIES HELD FOR SALE

	2005	2004
	<i>HK\$</i>	<i>HK\$</i>
At cost	457,413	2,024,594
Less: allowance for properties held for sale	<u>(107,413)</u>	<u>(317,181)</u>
	<u><u>350,000</u></u>	<u><u>1,707,413</u></u>

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

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

18. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period of 30 days to its trade customers. Included in trade and other receivables are trade receivables of HK\$2,849,942 (2004: HK\$2,753,652), the aged analysis of which at the balance sheet date is as follows:

	THE GROUP	
	2005	2004
	HK\$	HK\$
Up to 30 days	2,625,765	2,012,241
31 – 60 days	25,038	564,302
61 – 90 days	9,041	75,496
More than 90 days	190,098	101,613
	<u>2,849,942</u>	<u>2,753,652</u>

19. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$8,512,134 (2004: HK\$12,150,233), the aged analysis of which at the balance sheet date is as follows:

	THE GROUP	
	2005	2004
	HK\$	HK\$
Up to 30 days	7,170,540	8,722,706
31 – 60 days	308,802	339,638
61 – 90 days	145,548	549,265
More than 90 days	887,244	2,538,624
	<u>8,512,134</u>	<u>12,150,233</u>

20. AMOUNT DUE TO A FORMER INTERMEDIATE HOLDING COMPANY

The amount at 31st March, 2005 is advanced from Tactful Finance Limited, the then immediate holding company of the Company in which Mr. Chang Chung Wa, Eddie, a former director of the Company, has beneficial interest. Tactful Finance Limited ceased to be the immediate holding company of the Company, subsequent to the balance sheet date. Change in the Company's shareholding are details in the Company's announcement dated 11th April, 2005.

The amount is unsecured, non-interest bearing and repayable in April 2006.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

21. SHORT-TERM BANK BORROWINGS

	THE GROUP	
	2005 HK\$	2004 HK\$
Short-term bank borrowings comprise:		
Bank loans	–	2,803,738
Bank overdrafts	1,419,552	–
Trust receipt loans	1,905,615	3,194,010
	<u>3,325,167</u>	<u>5,997,748</u>
Secured	3,325,167	3,194,010
Unsecured	–	2,803,738
	<u>3,325,167</u>	<u>5,997,748</u>

22. DEFERRED TAX

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

	Accelerated tax depreciation HK\$	Tax losses HK\$	Total HK\$
THE GROUP			
At 1st April, 2004	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)	–
	<u>108,597</u>	<u>(108,597)</u>	<u>–</u>
At 31st March, 2004 and 1st April, 2004	108,597	(108,597)	–
(Credit) charge to income statement	(108,597)	108,597	–
	<u>–</u>	<u>–</u>	<u>–</u>
At 31st March, 2005	–	–	–

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

22. DEFERRED TAX (Continued)

At 31st March, 2005, the Group has unused tax losses of approximately HK\$34,314,000 (2004: HK\$29,516,000) available to offset against future profits. At 31st March, 2004, a deferred tax asset was recognised in respect of approximately HK\$621,000. No deferred tax asset has been recognised in relation to the remaining unused tax losses of HK\$34,314,000 (2004: HK\$28,895,000) due to the unpredictability of future profit streams.

At the balance sheet date, the Group has other deductible temporary differences of approximately HK\$2,662,000 (2004: HK\$2,855,000). 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.

23. SHARE CAPITAL

	Number of shares		Amount	
	2005 HK\$	2004 HK\$	2005 HK\$	2004 HK\$
Authorised:				
Ordinary shares of HK\$0.10 each At beginning and end of the year	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.10 each At beginning of the year	204,145,000	188,145,000	20,414,500	18,814,500
Issue of shares	<u>-</u>	<u>16,000,000</u>	<u>-</u>	<u>1,600,000</u>
At end of the year	<u>204,145,000</u>	<u>204,145,000</u>	<u>20,414,500</u>	<u>20,414,500</u>

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

24. RESERVES

	Share premium <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
THE COMPANY				
At 1st April, 2003	23,019,127	39,257,654	(54,812,855)	7,463,926
Shares issued at premium net of share issue expenses	1,878,130	–	–	1,878,130
Net loss for the year	–	–	(10,434,767)	(10,434,767)
At 31st March, 2004	24,897,257	39,257,654	(65,247,622)	(1,092,711)
Net loss for the year	–	–	(9,973,844)	(9,973,844)
At 31st March, 2005	<u>24,897,257</u>	<u>39,257,654</u>	<u>(75,221,466)</u>	<u>(11,066,555)</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:

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

The Company had no distributable profits at the balance sheet date.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

25. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2005	2004
	HK\$	HK\$
Minimum lease payments paid under operating leases for premises recognised in the income statement for the year	<u>1,638,784</u>	<u>2,243,959</u>

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

	THE GROUP	
	2005	2004
	HK\$	HK\$
Within one year	<u>1,630,000</u>	2,109,000
In the second to fifth year inclusive	<u>3,260,000</u>	<u>4,445,000</u>
	<u>4,890,000</u>	<u>6,554,000</u>

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

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

25. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

Property rental income earned during the year was approximately HK\$1,548,000 (2004: HK\$1,068,000). The Group has sub-leased its factory premises and leased its office premises and committed tenants for next two years.

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

	THE GROUP	
	2005	2004
	HK\$	HK\$
Within one year	1,144,000	1,109,000
In the second to fifth year inclusive	353,000	1,018,000
	<u>1,497,000</u>	<u>2,127,000</u>

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

26. 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 (2004: HK\$1,600,000);
2. the Group's leasehold land and buildings with a net book value of approximately HK\$2,800,000 (2004: HK\$3,100,000);
3. cross-guarantees between subsidiaries.
4. cross-guarantees of HK\$3,300,000 (2004: Nil) between Mr. Chang Chung Wa, Eddie and the Company's subsidiaries, Zida Technologies Limited and Vida Design Limited.

27. OTHER COMMITMENTS

At the balance sheet date, the Group had commitments payable of HK\$47,000 (2004: HK\$47,000) in respect of a management fee to a party in the PRC under a management agreement which expires over five years.

28. 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.

Due to changes in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, 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.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

28. SHARE OPTION SCHEME (Continued)

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 20,414,500 shares, being 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, 2005

28. SHARE OPTION SCHEME (Continued)

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

	Date of grant	Exercise price HK\$	Notes	Number of share options outstanding at beginning of the year	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Number of share options outstanding at end of the year
2004								
Directors	5th September, 2000	0.770	(1)	600,000	-	-	-	600,000
	21st May, 2001	0.260	(2)	9,400,000	-	-	-	9,400,000
				<u>10,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000,000</u>
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
				<u>3,360,000</u>	<u>-</u>	<u>-</u>	<u>(715,000)</u>	<u>2,645,000</u>
				<u>13,360,000</u>	<u>-</u>	<u>-</u>	<u>(715,000)</u>	<u>12,645,000</u>
2005								
Former directors	5th September, 2000	0.770	(1)	600,000	-	-	-	600,000
	21st May, 2001	0.260	(2)	9,400,000	-	-	-	9,400,000
				<u>10,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000,000</u>
Employees	15th July, 2000	0.568	(3)	1,825,000	-	-	(1,150,000)	675,000
	29th January, 2001	0.240	(4)	820,000	-	-	(610,000)	210,000
				<u>2,645,000</u>	<u>-</u>	<u>-</u>	<u>(1,760,000)</u>	<u>885,000</u>
				<u>12,645,000</u>	<u>-</u>	<u>-</u>	<u>(1,760,000)</u>	<u>10,885,000</u>

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.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

28. SHARE OPTION SCHEME (Continued)

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.

In according to the terms of General Offer made in April 2005 and as details in the Company's announcement on 20th May, 2005, 9,400,000 share options granted to the certain directors were lapsed after 13th May, 2005 and all the remaining share options were cancelled on 20th May, 2005.

29. 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 Group contributes HK\$1,000 or 5% of the relevant payroll costs, whichever is lower for each employee, to the scheme, which contribution is matched by employees.

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 total cost charged to income of approximately HK\$127,000 (2004: HK\$191,000) represents contributions payable to these schemes by the Group in respect of current accounting period.

30. RELATED PARTY TRANSACTIONS

During the year, Mr. Chang Chung Wa, Eddie, a former director of the Company, provided cross-guarantee of HK\$3,300,000 to the Company's subsidiaries, Zida Technologies Limited and Vida Design Limited.

In addition, Tactful Finance Limited, a company in which Mr. Chang Chung Wa, Eddie, former director has beneficial interest, provided finance to the Company as details in note 20.

31. POST BALANCE SHEET EVENTS

- (a) On 23rd March, 2005, the Tactful Finance Limited, Mr. Chang Chung Wa, Eddie and Rubryder Development Corp. entered into a sales and purchase agreement with True Ever Group Limited ("TEGL"), in respect of the acquisition of 147,916,000 shares, representing approximately 72.46% of the entire issued share capital of the Company, by TEGL at a consideration of HK\$62,000,000. This transaction was completed on 11th April, 2005. TEGL also made unconditional cash offer to remaining shareholders of the Company in respect of the acquisition of remaining issued shares capital of the Company.

On 20th May, 2005, the TEGL received valid acceptances in respect of 152,618,000 (including 147,916,000 shares mentioned above) issued shares in the Company ("Shares") and 10,885,000 issued options of the Company ("Options"), representing approximately 74.76% Shares and all Options respectively. Options were either lapsed or cancelled on or before 20th May, 2005.

- (b) Pursuant to a placing agreement entered into between TEGL and Kingsway Financial Services Group Limited ("Kingsway") on 14th June, 2005, Kingsway has agreed to place, on a best effort basis, up to 20,000,000 shares in the Company (the "Placing Shares") held by TEGL to not less than six independent professional, institutional and/or other investor(s) at a placing price of HK\$0.51 per share (the "Placing Price"). Pursuant to a subscription agreement entered into between the Company and TEGL on 14th June, 2005, the Company has agreed to allot and issue to TEGL up to 20,000,000 shares which the number of shares will be equivalent to the Placing Shares, at the Placing Price.

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

32. SUBSIDIARIES

Details of the Company's subsidiaries at 31st March, 2005 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and paid up share capital/ registered capital	Principal activities
Dailyview Limited	Hong Kong	Ordinary HK\$10,000	Property holding
Frontline Group Limited	British Virgin Islands/ Hong Kong	Ordinary US\$10,000	Investment holding
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
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 products and supply of mobile storage and related products

Notes to the Financial Statements (Continued)

For the year ended 31st March, 2005

32. SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and paid up share capital/ registered capital	Principal activities
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:

- (i) As at 31st March, 2005, the registered capital was paid up to the extent of US\$411,700 (2004: 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, 2005, the registered capital was paid up to the extent of US\$5,000,000 (2004: 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 or at any time during the year.