

## 1. Group organisation and operations

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

## 2. Principal accounting policies

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

### (a) Basis of preparation

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

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st March 2005. The Group has commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

### (b) Group accounting

#### (i) Consolidation

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

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

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

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

## 2. Principal accounting policies *(Continued)*

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

#### (i) Consolidation *(Continued)*

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

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

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

#### (ii) Associated company

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

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

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

#### (iii) Translation of foreign currencies

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

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

## 2. Principal accounting policies *(Continued)*

### (c) Intangible assets

#### (i) *Goodwill*

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

#### (ii) *Distribution rights*

Expenditures on rights acquired for manufacturing and distribution of certain integrated circuit ("IC") products are recognised as an asset and amortised on a straight-line basis over 4 years to reflect the pattern in which the related economic benefits are recognised.

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

### (d) Fixed assets

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

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

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

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

**2. Principal accounting policies** *(Continued)***(e) Operating leases**

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

**(f) Inventories**

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

**(g) Accounts receivable**

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

**(h) Cash and cash equivalents**

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

**(i) Provisions**

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

**(j) Employee benefits***(i) Employee leave entitlements*

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

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

## 2. Principal accounting policies *(Continued)*

### (j) Employee benefits *(Continued)*

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

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

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

#### (iii) Pension obligations

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

### (k) Deferred taxation

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

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

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

### (l) Contingent liabilities and contingent assets

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

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

## 2. Principal accounting policies *(Continued)*

### (l) **Contingent liabilities and contingent assets** *(Continued)*

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### (m) **Revenue recognition**

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

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

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

### (n) **Borrowing costs**

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

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

### (o) **Segment reporting**

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

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

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

### 3. Turnover, revenue and segment information

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

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover		
Sales of electronic parts, components and equipment	<b>798,211</b>	591,684
Sales of computer products and accessories	<b>482,181</b>	568,245
	<b>1,280,392</b>	1,159,929
Other revenue		
Management fee from an associated company (note 26(a))	<b>129</b>	138
Commission income	<b>26</b>	56
Interest income from bank deposits	<b>16</b>	58
Interest income from an associated company (note 26(a))	<b>61</b>	75
	<b>232</b>	327
Total revenue	<b>1,280,624</b>	1,160,256

#### Primary reporting format – business segments

The Group is organised into two main business segments:

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

Computer products – Trading and distribution of computer products and accessories

There are no sales between the business segments.

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

	Electronic products <i>HK\$'000</i>	2005 Computer products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	<u>798,211</u>	<u>482,181</u>	<u>1,280,392</u>
Segment results	<u>53,268</u>	<u>(3,859)</u>	49,409
Unallocated costs			<u>(2,774)</u>
Operating profit			46,635
Finance costs			(1,710)
Share of loss of an associated company			<u>(132)</u>
Profit before taxation			44,793
Taxation			<u>(9,502)</u>
Profit after taxation			35,291
Minority interests			<u>(2,836)</u>
Profit attributable to shareholders			<u>32,455</u>
Segment assets	294,813	55,936	350,749
Interest in an associated company			849
Unallocated assets			<u>299</u>
Total assets			<u>351,897</u>
Segment liabilities	151,037	28,745	179,782
Unallocated liabilities			<u>4,685</u>
Total liabilities			<u>184,467</u>
Other information			
Capital expenditures	8,149	1,079	9,228
Depreciation	2,200	302	2,502
Amortisation	302	–	302
Write off of goodwill arising from acquisition of additional interests in subsidiaries	<u>116</u>	<u>146</u>	<u>262</u>



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

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

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

The Group operates in the following main geographical areas

	2005					Total HK\$'000
	Hong Kong HK\$'000	Asia Pacific HK\$'000	South Africa HK\$'000	Europe HK\$'000	Others HK\$'000	
Gross turnover	1,360,430	89,497	35,983	30,262	6,872	1,523,044
Less: inter-segments sales	(227,315)	(15,337)	–	–	–	(242,652)
Segment turnover	<u>1,133,115</u>	<u>74,160</u>	<u>35,983</u>	<u>30,262</u>	<u>6,872</u>	<u>1,280,392</u>
Segment results	<u>40,419</u>	<u>3,798</u>	<u>3,868</u>	<u>1,079</u>	<u>245</u>	<u>49,409</u>
Unallocated costs						<u>(2,774)</u>
Operating profit						<u>46,635</u>
Segment assets	302,673	25,876	23,348	–	–	351,897
Capital expenditures	<u>8,218</u>	<u>231</u>	<u>779</u>	<u>–</u>	<u>–</u>	<u>9,228</u>

  

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

#### 4. Operating profit

Operating profit is stated after charging and crediting the following:

	2005 HK\$'000	2004 HK\$'000
<b>Charging</b>		
Staff costs ( <i>note 10</i> )	59,957	50,764
Amortisation of intangible assets (included in general and administrative expenses)	302	–
Bad debts written off	27	841
Provision for doubtful debts	94	337
Provision for slow-moving inventories (included in cost of sales)	3,272	6,589
Depreciation	2,502	1,872
Write off of goodwill ( <i>note 12</i> )	262	54
Loss on dilution of interest in a subsidiary ( <i>i</i> )	2,161	–
Operating lease rentals of premises	15,809	11,832
Auditors' remuneration	829	648
	<hr/>	<hr/>
<b>Crediting</b>		
Gain on disposal of subsidiaries	–	525
Net gain on disposal of fixed assets	22	20
Net exchange gain	850	1,949
	<hr/>	<hr/>

*Note:*

- (i) On 13th May 2004, MCU Power Limited ("MCU"), a subsidiary incorporated in Hong Kong, allotted 300,000 of its new ordinary shares of HK\$1 each to a director and a senior executive of MCU, at consideration of HK\$300,000. As a result of this share allotment, the Group's equity interest in MCU was reduced from 100% to 70% and accordingly, a loss on dilution of interest in a subsidiary amounting to approximately HK\$2,161,000 was recorded.

**5. Finance costs**

	2005 HK\$'000	2004 HK\$'000
Interest on short-term bank loans	<u>1,710</u>	<u>847</u>

**6. Taxation**

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

	2005 HK\$'000	2004 HK\$'000
Current taxation:		
– Hong Kong profits tax	7,771	5,724
– Overseas taxation	1,933	910
– (Over)/under provision in prior years	(202)	98
Deferred taxation relating to reversal of temporary differences	<u>–</u>	<u>(9)</u>
Taxation charges	<u>9,502</u>	<u>6,723</u>

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

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	<u>44,793</u>	<u>38,495</u>
Calculated at a taxation rate of 17.5% (2004: 17.5%)	7,839	6,737
Effect of different taxation rates in other countries	750	482
Tax losses of subsidiaries not recognised	552	(90)
Utilisation of previously unrecognised tax losses	(118)	(394)
(Over)/under provision in prior years	(202)	98
Others	<u>681</u>	<u>(110)</u>
Taxation charge	<u>9,502</u>	<u>6,723</u>

## 6. Taxation *(Continued)*

The Company is exempted from taxation in Bermuda until 2016.

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong.

Mobicon Electronic Trading (Shenzhen) Limited ("MET") being a foreign investment enterprise established in the free trade zone of Futian, Shenzhen, PRC, and with a financial year end date falling on 31st December, is subject to PRC enterprise income tax at the rate of 15%. No provision for PRC enterprise income tax has been made as MET is still in a tax loss position.

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

## 7. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$16,900,000 (2004: HK\$11,260,000).

## 8. Dividends

	2005 HK\$'000	2004 HK\$'000
Interim, paid, of HK3 cents (2004: HK2 cents) per ordinary share	6,000	4,000
Final, proposed, of HK3 cents (2004: HK3 cents) per ordinary share	6,000	6,000
	<u>12,000</u>	<u>10,000</u>

At a meeting held on 7th July 2005, the directors of the Company proposed a final dividend of HK3 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 31st March 2006.

## 9. Earnings per share

The calculation of basic earnings per share for the year ended 31st March 2005 is based on the Group's profit attributable to shareholders of approximately HK\$32,455,000 (2004: HK\$28,635,000) and on the 200,000,000 (2004: 200,000,000) ordinary shares in issue during the year.

No diluted earnings per share is presented as there were no potential dilutive ordinary shares in issue during the years ended 31st March 2005 and 2004.

**10. Staff costs**

Staff costs, including directors' emoluments, represent:

	<b>2005</b> <b>HK\$'000</b>	2004 HK\$'000
Wages and salaries	<b>56,916</b>	48,555
Pension costs – defined contribution plans	<b>2,447</b>	1,940
Provision for long-service payments	<b>594</b>	269
	<b>59,957</b>	50,764

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

Mobicon-Remote Electronic Sdn Bhd, a 50.1% owned subsidiary of the Group, has arranged for its employees in Malaysia to join the Employee Provident Fund Scheme ("the EPF Scheme"). The EPF Scheme is a defined contribution scheme managed by the government of Malaysia. Under the EPF Scheme, the employer and its employees make monthly contribution to the scheme at 12% and 9 to 11%, respectively, of the employees' earnings as defined under the Employee Provident Fund Act 1991, and has no further obligations for the actual pension payments or post-retirement benefits beyond its contributions. The relevant government agency is responsible for the pension obligation payable to the retired employees.

Mobicon-Remote Electronic Pte Ltd., a wholly-owned subsidiary of the Group, has arranged for its employees in Singapore, to join the Central Provident Fund Scheme ("the CPF Scheme"). The CPF Scheme is a defined contribution scheme managed by the government of Singapore. Under the CPF Scheme, the employer and its employees make monthly contribution to the scheme at 13% to 16%, and 20%, respectively, of the employees' earnings as defined under the Central Provident Fund Act, and has no further obligations for the actual pension payments or post-retirement benefits beyond its contributions. The relevant government agency is responsible for the pension obligation payable to the retired employees.

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

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

## 11. Directors' and senior executives' emoluments

### (a) Directors' emoluments

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

	2005 HK\$'000	2004 HK\$'000
Fees for executive directors	–	–
Fees for non-executive directors	250	200
Other emoluments for executive directors		
– Basic salaries and allowances	4,258	4,225
– Contributions to provident fund	48	48
	<u>4,556</u>	<u>4,473</u>

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

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

	Number of directors	
	2005	2004
Non-executive directors		
– Nil to HK\$1,000,000	3	2
Executive directors		
– Nil to HK\$1,000,000	2	2
– HK\$1,000,001 to HK\$1,500,000	2	2
	<u>7</u>	<u>6</u>

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

The five individuals whose emoluments were the highest in the Group for the year include three (2004: four) executive directors whose emoluments have been disclosed above. Details of emoluments paid to the remaining individuals are as follows:

	2005 HK\$'000	2004 HK\$'000
Basic salaries and allowances	2,143	707
Contributions to provident fund	12	–
	<u>2,155</u>	<u>707</u>

The remuneration fell within the following bands:

	Number of employees	
	2005	2004
– Nil to HK\$1,000,000	1	1
– HK\$1,000,001 to HK\$1,500,000	1	–
	<u>2</u>	<u>1</u>

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



## 12. Intangible assets

	Group					
	Goodwill		Distribution rights		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At 1st April	–	–	–	–	–	–
Acquisition of additional interests in subsidiaries (i)	262	54	–	–	262	54
Additions	–	–	4,836	–	4,836	–
Amortisation during the year	–	–	(302)	–	(302)	–
Write-off of goodwill	(262)	(54)	–	–	(262)	(54)
At 31st March	–	–	4,534	–	4,534	–

Note:

- (i) On 14th April 2004, the Group acquired the remaining 30% interest in A Power Limited, a subsidiary incorporated in Hong Kong, for cash consideration of HK\$150,000. The related goodwill resulting from the said acquisition amounting to approximately HK\$116,000 was written off. On 16th November 2004, the Group acquired an additional 29% interest in A Plus Computer Holdings Limited, a subsidiary incorporated in the British Virgin Islands, for cash consideration of approximately HK\$1,810,000. The related goodwill resulting from the said acquisition amounting to approximately HK\$146,000 was written off.

### 13. Fixed assets

	Group			
	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1st April 2004	7,478	6,606	2,593	16,677
Exchange adjustment	–	(3)	–	(3)
Additions	1,380	2,215	797	4,392
Disposals	(127)	(51)	(124)	(302)
At 31st March 2005	8,731	8,767	3,266	20,764
Accumulated depreciation				
At 1st April 2004	6,083	3,360	1,845	11,288
Exchange adjustment	–	(2)	–	(2)
Charge for the year	636	1,481	385	2,502
Disposals	(78)	(16)	(124)	(218)
At 31st March 2005	6,641	4,823	2,106	13,570
Net book value				
At 31st March 2005	2,090	3,944	1,160	7,194
At 31st March 2004	1,395	3,246	748	5,389

## 14. Investments in subsidiaries

	Company	
	2005	2004
	HK\$'000	HK\$'000
Unlisted shares/investment, at cost	67,297	67,297
Due from a subsidiary	37,688	36,792
	<u>104,985</u>	<u>104,089</u>

The amount due from a subsidiary is unsecured, non-interest bearing and not repayable on or before 1st April 2006.

The underlying value of investment in subsidiaries is, in the opinion of the directors, not less than their carrying values as at 31st March 2005.

Details of the subsidiaries as at 31st March 2005, all held indirectly by the Company (except for Mobicon (BVI) Limited), are as follows:

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital/ registered capital	Percentage of equity interest held	Principal activities and place of operations
A Plus Electronic Company Limited	Hong Kong, limited liability company	Ordinary HK\$100 Non-voting deferred HK\$1,000,000 (i)	80%	Trading and distribution of computer products and accessories in Hong Kong
A Plus Computer Holdings Limited	British Virgin Islands, limited liability company	Ordinary US\$800,000	80%	Investment holding in Hong Kong
A Plus 2 Computer Limited	Hong Kong, limited liability company	Ordinary HK\$1,000	40.8%(ii)	Trading and distribution of computer products and accessories in Hong Kong

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

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital/ registered capital	Percentage of equity interest held	Principal activities and place of operations
A Power Limited	Hong Kong, limited liability company	Ordinary HK\$500,000	100%	Trading and distribution of computer products and accessories in Hong Kong
Arkia Advance Limited	Hong Kong, limited liability company	Ordinary HK\$1,000,000	70%	Trading and distribution of electronic parts, components and equipment in Hong Kong
Conwise Power Limited	Hong Kong, limited liability company	Ordinary HK\$1,000	100%	Trading and distribution of electronic parts, components and equipment in Hong Kong
DV Power Limited	Hong Kong, limited liability company	Ordinary HK\$10,000	50%(iii)	Trading and distribution of electronic parts, components and equipment in Hong Kong
Langa Holdings (Pty) Ltd. (iv)	Republic of South Africa, limited liability company	Ordinary ZAR100	51%	Investment holding in South Africa
Mantech Electronics (Cape) (Pty) Ltd. (iv)	Republic of South Africa, limited liability company	Ordinary ZAR100	51%	Trading and distribution of electronic parts, components and equipment in South Africa

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

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital/ registered capital	Percentage of equity interest held	Principal activities and place of operations
Mantech Electronics (JHB) (Pty) Ltd. (iv)	Republic of South Africa, limited liability company	Ordinary ZAR100	51%	Trading and distribution of electronic parts, components and equipment in South Africa
Mantech Electronics (KZN) (Pty) Ltd. (iv)	Republic of South Africa, limited liability company	Ordinary ZAR100	51%	Trading and distribution of electronic parts, components and equipment in South Africa
MCU Power Limited	Hong Kong, limited liability company	Ordinary HK\$1,000,000 (2004: HK\$1,000)	70%	Trading and distribution of electronic parts, components and equipment in Hong Kong
MEC Quartz Limited	Hong Kong, limited liability company	Ordinary HK\$10,000	55%	Trading and distribution of electronic parts, components and equipment in Hong Kong
Milliard Devices Limited	Hong Kong, limited liability company	Ordinary HK\$1,000	100%	Trading and distribution of electronic parts, components and equipment in Hong Kong
Mobicon (BVI) Limited	British Virgin Islands, limited liability company	Ordinary US\$10,000	100%	Investment holding in Hong Kong

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

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

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

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital/ registered capital	Percentage of equity interest held	Principal activities and place of operations
Mobicon-Remote Electronic Sdn Bhd	Malaysia, limited liability company	Ordinary RM1,000,000	50.1%	Trading and distribution of electronic parts, components and equipment in Malaysia
M-Tec Electronic Limited	Hong Kong, limited liability company	Ordinary HK\$100,000	100%	Trading and distribution of electronic parts, components and equipment in Hong Kong
Partners 2 Limited	British Virgin Islands, limited liability company	Ordinary US\$100	100%	Investment holding in Hong Kong
PC Master Limited	Hong Kong, limited liability company	Ordinary HK\$1,000	72%	Trading and distribution of computer products and accessories in Hong Kong
Sensor Power Limited	Hong Kong, limited liability company	Ordinary HK\$1,000	100%	Trading and distribution of electronic parts, components and equipment in Hong Kong
Videocom 298 Limited	Hong Kong, limited liability company	Ordinary HK\$35,000	48%(ii)	Trading and distribution of computer products and accessories in Hong Kong

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

Name	Place of incorporation and kind of legal entity	Issued and fully paid share capital/ registered capital	Percentage of equity interest held	Principal activities and place of operations
Videocom Freetron Limited	Hong Kong, limited liability company	Ordinary HK\$2,000,000	56%	Trading and distribution of computer products and accessories in Hong Kong
Videocom Technology (HK) Limited	Hong Kong, limited liability company	Ordinary HK\$2	80%	Trading and distribution of computer products and accessories in Hong Kong

*Note:*

- (i) The non-voting deferred shares are not owned by the Group. The shares have no voting rights, are not entitled to dividend, and are not entitled to any distributions upon winding up unless a sum of HK\$10 billion had been distributed to the holders of ordinary shares.
- (ii) These companies are subsidiaries of the Group as the majority of which are owned by A Plus Computer Holdings Limited, a 80% subsidiary.
- (iii) The directors are of the view that the Group has control over the financial and operating policies of DV Power Limited and accordingly it is accounted for as a subsidiary.
- (iv) These subsidiaries are not audited by PricewaterhouseCoopers. The aggregate net assets of subsidiaries not audited by PricewaterhouseCoopers amounted to approximately 6% of the Group's net assets.
- (v) The subsidiary has a financial year end date falling on 31st December in accordance with the local statutory requirements, which is not coterminous with the Group. The consolidated accounts of the Group were prepared based on the accounts of the subsidiary for the twelve months ended 31st March 2005.

None of the subsidiaries had any loan capital in issue at any time during the year ended 31st March 2005.



## 15. Interest in an associated company

	Group	
	2005 HK\$'000	2004 HK\$'000
Share of net assets	150	150
Due from an associated company	1,407	918
	<b>1,557</b>	1,068
Accumulated share of losses	(708)	(576)
	<b>849</b>	492

(a) Details of the associated company as at 31st March 2005, held indirectly by the Company are:

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

(b) The balance due from an associated company is unsecured, with interest charged based on the best lending rates of certain banks in Hong Kong and not repayable on or before 1st April 2006.

## 16. Inventories

Inventories consist of electronic parts, components and equipment and computer products and accessories.

As at 31st March 2005, the carrying amount of inventories that were carried at net realisable value amounted to approximately HK\$28,726,000 (2004: HK\$12,682,000).

**17. Accounts receivable**

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

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 to 60 days	<b>87,293</b>	91,027
61 to 120 days	<b>10,587</b>	7,322
121 to 180 days	<b>4,176</b>	2,113
181 to 365 days	<b>2,812</b>	1,322
	<hr/>	<hr/>
	<b>104,868</b>	101,784
Less: Provision for doubtful debts	<b>(551)</b>	(716)
	<hr/>	<hr/>
	<b>104,317</b>	101,068
	<hr/>	<hr/>

**18. Cash and bank balances**

Cash and bank balance of the Group include an amount of HK\$1,389,000 (2004: HK\$871,000) denominated in Renminbi and kept in Mainland China. The remittance of these funds out of Mainland China is subject to the foreign exchange control restriction imposed by the PRC government.

**19. Accounts payable**

The ageing analysis of accounts payable is stated as follows:

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 to 60 days	<b>71,852</b>	69,363
61 to 120 days	<b>1,473</b>	4,093
121 to 180 days	<b>185</b>	429
181 to 365 days	<b>892</b>	532
	<hr/>	<hr/>
	<b>74,402</b>	74,417
	<hr/>	<hr/>

## 20. Share capital

	2005 HK\$'000	2004 HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
200,000,000 ordinary share of HK\$0.10 each	<u>20,000</u>	<u>20,000</u>

**21. Reserves**

	<b>Group</b>				
	<b>Share premium</b>	<b>Capital reserve</b>	<b>Exchange reserve</b>	<b>Retained profits</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i> (note a)	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1st April 2003	16,706	800	124	79,628	97,258
Profit attributable to shareholders	–	–	–	28,635	28,635
Dividends	–	–	–	(8,000)	(8,000)
Exchange difference arising on translation of the accounts of foreign subsidiaries	–	–	387	–	387
As at 31st March 2004	<u>16,706</u>	<u>800</u>	<u>511</u>	<u>100,263</u>	<u>118,280</u>
Company and subsidiaries	16,706	800	511	100,839	118,856
Associated company	–	–	–	(576)	(576)
As at 31st March 2004	<u>16,706</u>	<u>800</u>	<u>511</u>	<u>100,263</u>	<u>118,280</u>
As at 1st April 2004	16,706	800	511	100,263	118,280
Profit attributable to shareholders	–	–	–	32,455	32,455
Dividends	–	–	–	(12,000)	(12,000)
Exchange difference arising on translation of the accounts of foreign subsidiaries	–	–	(14)	–	(14)
<b>As at 31st March 2005</b>	<b><u>16,706</u></b>	<b><u>800</u></b>	<b><u>497</u></b>	<b><u>120,718</u></b>	<b><u>138,721</u></b>
Representing:					
2005 final dividend				6,000	
Others				<u>114,718</u>	
				<u>120,718</u>	
Company and subsidiaries	16,706	800	497	121,426	139,429
Associated company	–	–	–	(708)	(708)
<b>As at 31st March 2005</b>	<b><u>16,706</u></b>	<b><u>800</u></b>	<b><u>497</u></b>	<b><u>120,718</u></b>	<b><u>138,721</u></b>

**21. Reserves** *(Continued)*

	Company			
	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i> <i>(note b)</i>	Retained Profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1st April 2003	16,706	67,097	5,028	88,831
Profit for the year	–	–	11,260	11,260
Dividends	–	–	(8,000)	(8,000)
As at 31st March 2004	16,706	67,097	8,288	92,091
As at 1st April 2004	16,706	67,097	8,288	92,091
Profit for the year	–	–	16,900	16,900
Dividends	–	–	(12,000)	(12,000)
<b>As at 31st March 2005</b>	<b>16,706</b>	<b>67,097</b>	<b>13,188</b>	<b>96,991</b>
Representing:				
2005 final dividend			6,000	
Others			7,188	
			13,188	

*Note:*

- (a) Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through exchanges of shares pursuant to the reorganisation which took place on 18th April 2001.
- (b) Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through exchanges of shares pursuant to the reorganisation which took place on 18th April 2001.

## 22. Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

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

	Group	
	2005 HK\$'000	2004 HK\$'000
At 1st April	164	108
Acquisition of a subsidiary	–	65
Deferred taxation credited to profit and loss account	–	(9)
	<hr/>	<hr/>
At 31st March	164	164
	<hr/>	<hr/>

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

As at 31st March 2005, the Group had unprovided deferred tax asset, primarily representing the tax effect of cumulative tax losses (subject to the approval of the relevant tax authorities), amounting to approximately HK\$989,000 (2004: HK\$283,000), which have no expiry date.

## 23. Consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash generated from/(used in) operations:

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	44,793	38,495
Interest income	(77)	(133)
Interest expense	1,710	847
Amortisation of intangible assets	302	–
Depreciation of fixed assets	2,502	1,872
Gain on disposals of fixed assets	(22)	(20)
Write off of goodwill from acquisition of subsidiaries	262	54
Loss on dilution of interest in a subsidiary	2,161	–
Share of loss of an associated company	132	274
Operating profit before working capital changes	51,763	41,389
Increase in inventories	(23,326)	(61,487)
Increase in accounts receivable	(3,249)	(32,647)
Decrease/(increase) in prepayments, deposits and other receivables	204	(4,315)
(Decrease)/increase in accounts payable	(15)	30,251
Increase/(decrease) in accruals and other payables	7,967	(664)
Net cash generated from/(used in) operations	33,344	(27,473)

**23. Consolidated cash flow statement** *(Continued)*

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

	Share capital including premium <i>HK\$'000</i>	Short-term bank loans <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
As at 1st April 2003	36,706	7,000	2,253
Repayment of loans	–	(57,904)	–
New loans raised	–	108,145	–
Capital contributions from minority shareholders	–	–	3,451
Dividends paid	–	–	(540)
Non-cash movements:			
Minority interests' share of profits	–	–	3,137
Exchange differences	–	–	359
As at 31st March 2004	36,706	57,241	8,660
Repayment of loans	–	(164,758)	–
New loans raised	–	187,823	–
Capital contributions from minority shareholders	–	–	300
Dividends paid	–	–	(3,520)
Non-cash movements:			
Loss on dilution of interest in a subsidiary	–	–	2,161
Acquisition of additional interests in subsidiaries	–	–	(1,698)
Minority interests' share of profits	–	–	2,836
Exchange differences	–	–	(30)
<b>As at 31st March 2005</b>	<b>36,706</b>	<b>80,306</b>	<b>8,709</b>



## 24. Commitments

### (a) Commitments under operating leases

As at 31st March 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Not later than one year	8,895	11,178
Later than one year and not later than five years	3,991	6,662
	<u>12,886</u>	<u>17,840</u>

The Company had no commitments under operating leases as at 31st March 2005 (2004: Nil).

### (b) Financial commitments

As at 31st March 2005, the Group had outstanding forward foreign exchange contracts to buy United State Dollars amounting to HK\$42,625,000 (equivalent to US\$5,500,000) for the purpose of hedging against the Group's commitments arising from its trading activities (2004: Nil).

The Company had no financial commitments as at 31st March 2005 (2004: Nil).

## 25. Contingent liabilities

	Company	
	2005 HK\$'000	2004 HK\$'000
Guarantees provided by the Company in respect of bank facilities of subsidiaries	<u>202,385</u>	<u>103,385</u>

As at 31st March 2005, amount of such facilities used by the subsidiaries and covered by the Company's guarantee amounted to HK\$80,306,000 (2004: HK\$57,241,000).

## 26. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

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

	Note	2005 HK\$'000	2004 HK\$'000
Management fee received from an associated company	(i)	129	138
Interest income received from an associated company		61	75
Maintenance fee paid to an associated company	(ii)	120	–
Purchase of fixed assets from an associated company		–	1,000
Rentals paid/payable to M-Bar Limited	(iii)	2,458	2,082

Note:

- (i) Management fee was received from an associated company, Create Tech Software Systems Limited at a fixed monthly rate of HK\$11,500 per month from April to September 2004 and HK\$10,000 per month from October 2004 to March 2005 (2004: HK\$11,500 per month) for use and lease of facilities of the Group.
  - (ii) Maintenance fee was paid to an associated company, Create Tech Software Systems Limited at a fixed monthly rate of HK\$20,000 per month from October 2004 to March 2005 for providing maintenance of the accounting system.
  - (iii) M-Bar Limited is a wholly-owned subsidiary of Mobicon Electronic Supplies Company Limited, a company beneficially owned by Dr. Hung Kim Fung, Measure (30%), Ms. Yeung Man Yi, Beryl (30%), Mr. Hung Ying Fung (20%) and Mr. Yeung Kwok Leung, Allix (20%), directors and substantial shareholders of the Company. The lease agreements with M-Bar Limited were entered into at terms agreed between the contracting parties.
- (b) Included in prepayments, deposits and other receivables were rental deposits paid to M-Bar Limited of approximately HK\$498,000 (2004: HK\$382,000).
- (c) Included in accruals and other payables was an amount due to a minority shareholder of certain subsidiaries of approximately HK\$5,554,000 (2004: HK\$5,537,000). The amount is unsecured, interest free and repayable on demand.

## 27. Approval of accounts

The accounts were approved by the board of directors on 7th July 2005.