

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Statement of Compliance and Principal Accounting Policies

These unaudited condensed consolidated interim financial statements comply with the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), and Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants, except that comparative figures for the cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions set out in the Listing Rules.

These interim financial statements have been prepared in accordance with the principal accounting policies set out in the Company’s annual report for the year ended 31 December 2000, except for changes in accounting policies as described below.

Several new accounting standards issued by the Hong Kong Society of Accountants are effective for this financial period. The changes to the Group’s accounting policies arise from the adoption of SSAP9 (Revised) and SSAP30.

The adoption of SSAP9 (Revised) “Events after the balance sheet date” results in a change in accounting policy whereby dividends proposed after the balance sheet date are no longer recognised as a liability at the balance sheet date. This change has been applied retrospectively and comparatives have been restated. As a result, the 2000 proposed final dividend amounting to HK\$7,910,000 previously recorded as a current liability as at 31 December 2000 has been restated and shown under “Capital and reserves”.

Under SSAP30 “Business combinations”, goodwill arising from business combinations after 1 January 2001 is capitalised and amortised over its useful life. The Group has taken advantage of the transitional provisions in SSAP30 and goodwill which has been previously written off to reserves has not been retroactively restated under the new accounting policy.

## 2. Segmental Information

An analysis of the Group's turnover and contribution to profit/(loss) from operating activities by principal activity and geographical area of operations is as follows:

By activity:	Turnover		Contribution to profit/(loss) from operating activities	
	Unaudited six months ended 30 June		Unaudited six months ended 30 June	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sale of goods:				
Systems integration business (including sales of computer hardware and software)	269,834	129,513	15,848	8,162
Distribution of multi-media hardware, software and related accessories	14,502	17,938	1,517	2,199
	<u>284,336</u>	<u>147,451</u>	<u>17,365</u>	<u>10,361</u>
Provision of e-business related services	10,401	17,919	(14,075)	119
Maintenance services and training courses	13,604	2,643	2,041	575
	<u>308,341</u>	<u>168,013</u>	<u>5,331</u>	<u>11,055</u>
<b>By geographical area:</b>				
The People's Republic of China (the "PRC")				
Mainland China	283,438	132,156	17,889	8,737
Hong Kong Special Administrative Region ("Hong Kong")	24,903	35,857	(12,558)	2,318
	<u>308,341</u>	<u>168,013</u>	<u>5,331</u>	<u>11,055</u>

## 3. Profits from Operating Activities

The Group's profit from operating activities is arrived at after charging/(crediting):

	Unaudited six months ended 30 June	
	2001	2000
	HK\$'000	HK\$'000
Depreciation	3,267	1,693
Amortisation of deferred development costs	3,598	1,362
Interest income	<u>(5,464)</u>	<u>(4,550)</u>

#### 4. Tax

	<b>Unaudited six months ended 30 June</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Provision for tax in respect of profits for the period:		
Hong Kong	275	874
Mainland China	676	210
	<u>          </u>	<u>          </u>
Tax charge for the period	<u>951</u>	<u>1,084</u>

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the period. Provision has been made for tax in Mainland China based on existing legislation, interpretations and practices at the prevailing rates of tax.

No provision for tax is required for the associate or the jointly-controlled entity as no assessable profits were earned by the associate or the jointly-controlled entity during the period.

#### 5. Dividend

The Board does not recommend the payment of any interim dividend for the period (2000: nil).

#### 6. Earnings Per Share

The calculations of basic and diluted earnings per share are based on the following data:

	<b>Unaudited six months ended 30 June</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share	<u>2,195</u>	<u>9,275</u>
Number of shares:	<i>'000</i>	<i>'000</i>
Weighted average number of shares in issue for the purpose of basic earnings per share	264,105	250,442
Effects of dilutive potential ordinary shares	<u>5,519</u>	<u>7,892</u>
Weighted average number of shares for the purpose of diluted earnings per shares	<u>269,624</u>	<u>258,334</u>

#### 7. Intangible Assets

	<b>Unaudited 30 June 2001</b>	<b>Audited 31 December 2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
License rights, at cost	<u>–</u>	<u>12,480</u>

The intangible assets represent the non-exclusive rights to use a specific software product developed by a third party. The intangible assets were disposed of during the period.

## 8. Trade Receivables

The ageing analysis of the Group's trade receivables is as follows:

	<b>Unaudited</b> <b>30 June 2001</b> <i>HK\$'000</i>	<b>Audited</b> <b>31 December 2000</b> <i>HK\$'000</i>
Current	116,160	108,380
Overdue 1 to 3 months	19,721	8,033
Overdue 4 to 6 months	1,142	1,493
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	137,023	117,906
Credit terms	<hr/>	<hr/>

Systems integration projects, the provision of maintenance services and software development services have terms which vary from contract to contract and may include cash on delivery, advance payment and credit. For those customers who trade on credit, invoices are normally payable within 90 days of issuance. Trade receivables are recognised and carried at original invoiced amount less provision for doubtful debts which is recorded when collection of the full amount is no longer probable. Bad debts are written off as incurred.

## 9. Trade Payables, Other Payables and Accruals

Included in the balance is an amount of HK\$48,156,000 (2000: HK\$67,196,000) representing the trade payables of the Group. The ageing analysis of such payables is as follows:

	<b>Unaudited</b> <b>30 June 2001</b> <i>HK\$'000</i>	<b>Audited</b> <b>31 December 2000</b> <i>HK\$'000</i>
Outstanding balances with ages:		
Current	43,783	62,990
Within 1 to 3 months	4,180	4,042
Between 4 to 6 months	193	164
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Total	48,156	67,196
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## 10. Share Capital

A summary of the movements in the issued share capital of the Company during the period is as follows:

	<b>Number of</b> <b>ordinary</b> <b>shares</b> <i>'000</i>	<b>Issued and</b> <b>fully paid</b> <b>(Unaudited)</b> <i>HK\$'000</i>
At 1 January 2001	263,300	26,330
Shares issued on exercise of options	1,887	189
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Balance as at 30 June 2001	265,187	26,519
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## 11. Reserves

	Share premium Unaudited HK\$ 000	Contributed surplus Unaudited HK\$ 000	Goodwill reserve Unaudited HK\$ 000	Exchange fluctuation reserve Unaudited HK\$ 000	Retained profits Unaudited HK\$ 000	Total Unaudited HK\$ 000
At 1 January 2001	306,701	45,483	(11,117)	13	23,259	364,339
Issue of shares during the period	2,295	–	–	–	–	2,295
Net profit for the period	–	–	–	–	2,195	2,195
At 30 June 2001	<u>308,996</u>	<u>45,483</u>	<u>(11,117)</u>	<u>13</u>	<u>25,454</u>	<u>368,829</u>

## 12. Commitments and Contingent Liabilities

Other than the normal course of business, the Group has no significant commitments and contingent liabilities as at 30 June 2001.