

1. CORPORATE INFORMATION

During the year, the Group was engaged in the following principal activities:

- trading of computer hardware, software and related accessories;
- provision of system and network platform with integration services;
- provision of e-business and e-Government services;
- provision of IT solutions and outsourcing services;
- provision of software application package with implementation, consultancy, training and maintenance services; and
- property and treasury investments.

2. IMPACT OF A REVISED HONG KONG STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

The revised SSAP 12 "Income taxes" is effective for the first time for the preparation of the current year's financial statements and prescribes new accounting measurement and disclosure practices.

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below.

Measurement and recognition:

- A deferred tax asset has been recognised for tax losses arising in the current/prior periods to the extent that it is probable that there will be sufficient future taxable profits against which such losses can be utilised.

Disclosure:

- The related note disclosures are now more extensive than previously required. These disclosures are presented in notes 10 and 28 to the financial statements and include a reconciliation between the accounting profit/loss and the tax income/expense for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and certain equity investments, as further explained below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 5 to 10 years.

Prior to the adoption of SSAP 30 "Business combinations" in 2001, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of the SSAP that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to the adoption of the SSAP is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Fixed assets and depreciation**

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

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

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life, after taking into account its estimated residual value. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2% – 4%
Leasehold improvements	Over the lease terms
Computer equipment and software	20% – 33 $\frac{1}{3}$ %
Furniture, fixtures and office equipment	18% – 25%
Motor vehicles	20%

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the then carrying amount over the remaining term of the lease.

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised, using the straight-line method, over the expected useful life of the products subject to a maximum period of five years, commencing from the date when the products are put into commercial production.

Held-to-maturity securities

Held-to-maturity securities are investments in dated debt securities which the Group has the expressed intention and ability to hold to maturity, and are stated at cost adjusted for the amortisation of premiums or discounts arising on acquisition, less any impairment losses which reflect their credit risk, on an individual investment basis.

Investment securities

Investment securities are securities which are intended to be held on a continuing basis, and which are held for an identified long term purpose documented at the time of acquisition or change of purpose and are clearly identifiable for the documented purpose. Investment securities are included in the balance sheet at cost less any impairment losses, on an individual investment basis.

When impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged are credited to the profit and loss account to the extent of the amounts previously charged.

The profit or loss on disposal of investment securities is accounted for in the period in which the disposal occurs as the difference between the net sales proceeds and the carrying amount of the securities.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for any obsolete or slow-moving items. Cost is determined on the weighted average basis and, in the case of finished goods and work in progress, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Short term investments

Short term investments in listed equity securities are stated at their fair values at the balance sheet date, on an individual investment basis. The fair values of such listed securities are their quoted market prices at the balance sheet date. The gains or losses arising from changes in the fair values of such securities are credited or charged to the profit and loss account in the period in which they arise.

Deferred income

Deferred income represents maintenance service income and consultancy service fees received in advance. Revenue is recognised and deferred income is released to the profit and loss account when the corresponding services are rendered.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity, if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with interests in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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 deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of software development services and e-business related services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;
- (c) maintenance service income and consultancy service fees, on a time proportion basis over the period of the contract;
- (d) income from training courses, when the courses are presented;
- (e) proceeds from the sale of short term investments in listed shares, on the transaction dates when the relevant contract notes are exchanged;
- (f) rental income, in the period in which the properties are let and on a time proportion basis over the lease terms;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- (g) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (h) dividend income, when the shareholders' right to receive payment has been established.

Contracts for services

Contract revenue from the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that this and the costs incurred as well as the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date, plus recognised profit less recognised losses, the surplus is treated as an amount due to contract customers.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries, which are expressed in foreign currencies are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme 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 recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of 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 are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Retirement benefits schemes

The Group operates defined contribution retirement benefits schemes under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the Mandatory Provident Fund Exempted ORSO retirement benefits scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions. In respect to the Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme"), the Group's employer contributions vest fully with the employees when contributed into the Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefits schemes (continued)

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

Related parties

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. Related parties may be individuals or corporate entities.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the integration services segment is engaged in the provision of system and network integration services and industry specific IT application implementation services;
- (b) the solutions services segment is engaged in the provision of IT solutions implementation and application development services;
- (c) the application services segment is engaged in the provision of enterprise applications and IT operation outsourcing services;
- (d) the distribution segment is engaged in the distribution of digital media products and other computer accessories;
- (e) the investments segment primarily engaged in various type of investment activities including, inter alia, property investment for rental income and treasury investments in short term investments and held-to-maturity securities for dividend income and interest income; and
- (f) the corporate segment comprises corporate expense items.

4. SEGMENT INFORMATION (continued)

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

There were no intersegment sales and transfers during the current and the prior year.

During current year, the Group has combined the property investment and the treasury investments operations into one segment (investments segment), as permitted under SSAP 26 "Segment reporting" since their respective segment revenues, results and assets for the two years ended 31 December 2003 did not exceed the ten percent materiality thresholds, to reflect the Group's current internal financial reporting. The comparative information has been restated accordingly.

4. SEGMENT INFORMATION (continued)**(a) Business segments**

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group

	Integration Services		Solutions Services		Application Services		Distribution		Investments		Corporate		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment revenue:														
Sales to external customers	135,420	118,391	168,865	49,996	17,973	21,433	37,543	38,424	2,335	2,113	-	-	362,136	230,357
Other revenue and gains	774	-	2,165	-	72	-	1,405	609	1,736	464	105	-	6,257	1,073
Total	136,194	118,391	171,030	49,996	18,045	21,433	38,948	39,033	4,071	2,577	105	-	368,393	231,430
Segment results before depreciation, amortisation and other operating expenses	3,634	(10,981)	5,578	(8,688)	2,067	(480)	1,656	2,007	1,518	1,966	(183)	(1,082)	14,270	(17,258)
Depreciation	(1,520)	(2,137)	(2,219)	(2,977)	(1,101)	(1,186)	(852)	(766)	(19)	(14)	(1,747)	(1,713)	(7,458)	(8,793)
Amortisation of intangible assets	(208)	(69)	(205)	(1,646)	-	-	-	-	-	-	-	-	(413)	(1,715)
Amortisation of goodwill	-	-	-	-	(3,635)	(3,524)	-	-	-	-	-	-	(3,635)	(3,524)
Impairment losses recognised*	-	(3,890)	-	-	-	-	-	-	-	(3,180)	-	-	-	(7,070)
Write back of provision for doubtful debts/provision for doubtful debts	1,956	(3,108)	-	-	-	-	-	(19)	-	-	-	-	1,956	(3,127)
Deficit on revaluation of investment properties	-	-	-	-	-	-	-	-	(200)	(600)	-	-	(200)	(600)
Segment results	3,862	(20,185)	3,154	(13,311)	(2,669)	(5,190)	804	1,222	1,299	(1,828)	(1,930)	(2,795)	4,520	(42,087)
Unallocated interest income	-	-	-	-	-	-	-	-	-	-	-	-	1,509	3,057
Profit/(loss) from operating activities	-	-	-	-	-	-	-	-	-	-	-	-	6,029	(39,030)
Finance cost	-	-	-	-	-	-	-	-	-	-	-	-	(359)	-
Profit/(loss) before tax	-	-	-	-	-	-	-	-	-	-	-	-	5,670	(39,030)
Tax credit/(charge)	-	-	-	-	-	-	-	-	-	-	-	-	663	(386)
Profit/(loss) before minority interests	-	-	-	-	-	-	-	-	-	-	-	-	6,333	(39,416)
Minority interests	-	-	-	-	-	-	-	-	-	-	-	-	(267)	(207)
Net profit/(loss) from ordinary activities attributable to shareholders	-	-	-	-	-	-	-	-	-	-	-	-	6,066	(39,623)

* The impairment losses recognised in the integration services segment was related to goodwill eliminated against consolidated reserves (note 15) and the impairment losses recognised in the investments segment was related to the unrealised loss on revaluation of short term listed investments.

31 December 2003

4. SEGMENT INFORMATION (continued)**(a) Business segments** (continued)**Group**

	Integration Services		Solutions Services		Application Services		Distribution		Investments		Corporate		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment assets	61,811	99,021	186,212	33,746	53,850	54,114	16,929	18,032	50,507	40,289	19,674	19,557	388,983	264,759
Unallocated assets													45,158	107,722
Total assets	61,811	99,021	186,212	33,746	53,850	54,114	16,929	18,032	50,507	40,289	19,674	19,557	434,141	372,481
Segment liabilities	10,550	29,886	53,006	13,702	7,532	6,993	7,845	8,193	271	187	1,333	2,984	80,537	58,778
Unallocated liabilities													37,049	3,167
Total liabilities	10,550	29,886	53,006	13,702	7,532	6,993	7,845	8,193	271	187	1,333	2,984	117,586	61,945
Other segment information:														
Capital expenditure	92	99	8,310	177	11,772	151	531	594	6,738	17	337	105	27,780	1,143

4. SEGMENT INFORMATION (continued)**(b) Geographical segments**

The following table presents revenue and certain asset and capital expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Other		Consolidated	
	2003 HK\$'000	2002 HK\$'000 (Restated)	2003 HK\$'000	2002 HK\$'000 (Restated)	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000 (Restated)
Segment revenue								
Sales to external customers	207,150	88,786	136,819	125,307	18,167	16,264	362,136	230,357
Other segment information:								
Segment assets	312,474	160,996	67,213	97,256	9,296	6,507	388,983	264,759
Capital expenditure	21,965	547	5,658	179	157	417	27,780	1,143

5. TURNOVER, REVENUE AND GAINS

Turnover represents the aggregate of the invoiced value of goods sold, net of trade discounts, returns, value-added tax and business tax where applicable, income earned from the provision of IT solutions, e-business and related services, maintenance services, software development services and training courses, gross rental income earned from investment properties and interest income earned from treasury investments in held-to-maturity securities, after elimination of all significant intra-group transactions.

An analysis of the Group's turnover, other revenue and gains is as follows:

	2003 HK\$'000	2002 HK\$'000 (Restated)
Turnover		
Sale of goods:		
Computer network and system platform	132,202	129,080
Computer hardware, software and related accessories	37,543	38,424
	169,745	167,504
Provision of IT solutions, e-business and related services	169,296	51,573
Maintenance services, consultancy services and training courses	20,760	9,167
Gross rental income from investment properties	1,004	697
Interest income from treasury investments	1,331	1,416
	362,136	230,357
Other revenue		
Interest income	1,509	3,057
Dividend income from listed investments	318	464
Sub-lease rental income	989	609
Other	1,229	1,635
	4,045	5,765
Gains		
Gain on disposal of listed investments	1,413	–
Exchange gains, net	1,122	2,281
Negative goodwill recognised	1,186	1,294
	3,721	3,575
	7,766	9,340

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2003 HK\$'000	2002 HK\$'000
Cost of inventories sold	261,399	151,046
Cost of services provided	22,533	20,862
Depreciation	7,740	8,793
Less: Capitalised in deferred development costs	(282)	–
	7,458	8,793
Write-off of fixed assets	32	1,979
Provision for inventories*	–	283
Amortisation of deferred development costs*	413	1,715
Goodwill:		
Amortisation for the year**	3,635	3,524
Impairment arising during the year**	–	3,890
	3,635	7,414
Minimum lease payments under operating leases in respect of land and buildings	7,624	9,174
Auditors' remuneration	953	1,030
Staff costs (excluding directors' remuneration disclosed in note 7)*:		
Wages and salaries	65,128	54,049
Pension schemes contributions	2,740	3,147
Less: Forfeited contributions	(228)	(681)
Net pension schemes contributions##	2,512	2,466
Less: Capitalised in deferred development costs	(8,471)	(1,958)
	59,169	54,557
Unrealised loss on revaluation of short term listed investments carried at fair value**	–	3,180
Provisions for doubtful debts/ (write back of provisions for doubtful debts)**	(1,956)	3,127
Deficit on revaluation of investment properties**	200	600

31 December 2003

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES (continued)

* The amortisation of deferred development costs and provision for inventories are included in "Cost of sales" on the face of the consolidated profit and loss account.

** These items are included in "Other operating expenses" on the face of the consolidated profit and loss account.

Inclusive of an amount of HK\$22,533,000 (2002: HK\$20,862,000) classified under cost of services provided.

The amounts of forfeited contributions available at the year end to reduce contributions in future years were not material.

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and the Listing Rules is as follows:

	2003 HK\$'000	2002 <i>HK\$'000</i>
Fees:		
Executive directors	–	–
Non-executive directors	100	100
	100	100
Other emoluments (executive directors):		
Salaries, allowances and benefits in kind	4,226	4,216
Bonuses paid and payable	539	202
Pension schemes contributions	46	202
	4,811	4,620
	4,911	4,720

The remuneration of the above directors fell within the following bands:

	2003 Number of directors	2002 Number of directors
Nil – HK\$1,000,000	4	5
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	1	1
	6	7

7. DIRECTORS' REMUNERATION (continued)

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

During the year, no share options were granted to the directors in respect of their services to the Group. Further details of the Group's share option scheme are set out in note 30 to the financial statements.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group included three (2002: two) directors, details of whose remuneration are set out in note 7 to the financial statements. The remuneration of the other two (2002: three) non-directors, highest paid individuals, disclosed pursuant to the Listing Rules, is as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	2,542	3,382
Bonuses paid and payable	–	255
Pension schemes contributions	24	139
	2,566	3,776

The remuneration of the two (2002: three) non-directors, highest paid individuals fell within the following bands:

	2003 Number of individuals	2002 Number of individuals
HK\$1,000,001 – HK\$1,500,000	2	2
HK\$1,500,001 – HK\$2,000,000	–	1
	2	3

During the year, no share options were granted to the two non-directors, highest paid employees in respect of their services to the Group. Further details of the Group's share option scheme are included in the disclosures in note 30 to the financial statements.

9. FINANCE COST

	2003 <i>HK\$'000</i>	Group 2002 <i>HK\$'000</i>
Interest on bank loans wholly repayable within one year	359	–

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the year. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 December 2003. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2003 HK\$'000	2002 <i>HK\$'000</i>
Group:		
Current – Hong Kong		
Charge for the year	246	209
Overprovisions in prior years	(13)	(114)
Current – elsewhere	154	291
Deferred (<i>note 28</i>)	(1,050)	–
Total tax charge/(credit) for the year	(663)	386

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before tax using the Hong Kong statutory tax rate in which the Group is domiciled to the tax charge/(credit) at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2003		Group	
	HK\$'000	%	<i>HK\$'000</i>	<i>2002</i> %
Profit/(loss) before tax	5,670		(39,030)	
Tax at the statutory tax rate	992	17.5	(6,245)	(16.0)
Higher/(lower) tax rates for overseas subsidiaries	1,149	20.3	(2,306)	(5.9)
Adjustments in respect of current tax of prior years	(13)	(0.2)	(114)	(0.3)
Income not subject to tax	(1,007)	(17.8)	(997)	(2.6)
Expenses not deductible for tax	1,729	30.5	1,908	4.9
Effect of unused tax losses for the year not recognised	3,006	53.0	8,140	20.9
Effect of unused tax losses carried forward from prior years recognised as deferred tax asset	(1,050)	(18.5)	–	–
Tax losses utilised from previous periods	(5,469)	(96.5)	–	–
Tax charge/(credit) at the Group's effective rate	(663)	(11.7)	386	1.0

10. TAX (continued)

For a subsidiary incorporated in Taiwan, Taiwan income tax has been provided at the rate of 25% (2002: 25%) on the estimated assessable profits arising in Taiwan for the year ended 31 December 2003.

Under PRC income tax law, enterprises are subject to corporate income tax ("CIT") at a rate of 33%. However, certain of the Group's PRC subsidiaries are operating in specific development zones of the PRC and the relevant tax authorities have granted the enterprises a preferential CIT rate of 15%. CIT is provided based on the taxable income as reported in the statutory accounts which are prepared in accordance with PRC accounting regulations.

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit/(loss) from ordinary activities attributable to shareholders for the year ended 31 December 2003 dealt with in the financial statements of the Company was a net loss of HK\$1,215,000 (2002: HK\$39,718,000) (note 31).

12. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net profit attributable to shareholders for the year of HK\$6,066,000 (2002: net loss of HK\$39,623,000) and the weighted average of 274,107,000 (2002: 272,448,000) shares of the Company in issue during the year.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share for the year ended 31 December 2003 was based on the net profit attributable to ordinary shareholders for that year of HK\$6,066,000. The weighted average number of ordinary shares used in calculation is the 274,107,000 ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average of 1,032,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

No diluted loss per share was presented for the year ended 31 December 2002 as the effect of the Company's outstanding share options was anti-dilutive.

13. FIXED ASSETS**Group**

	Investment properties <i>HK\$'000</i>	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Computer equipment and software <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:							
At beginning of year	15,100	–	7,174	22,855	5,287	988	51,404
Additions	653	5,780	758	10,693	538	536	18,958
Reclassification	(1,214)	1,214	–	–	–	–	–
Deficit on revaluation	(200)	–	–	–	–	–	(200)
Write-off	–	–	(969)	(55)	–	–	(1,024)
Exchange realignment	–	–	49	16	13	–	78
At 31 December 2003	14,339	6,994	7,012	33,509	5,838	1,524	69,216
Analysis of cost or valuation:							
At cost	–	6,994	7,012	33,509	5,838	1,524	54,877
At 31 December 2003 valuation	14,339	–	–	–	–	–	14,339
	14,339	6,994	7,012	33,509	5,838	1,524	69,216
Accumulated depreciation and impairment:							
At beginning of year	–	–	4,335	14,871	2,670	204	22,080
Provided during the year	–	14	1,405	5,119	1,065	137	7,740
Write-off	–	–	(953)	(39)	–	–	(992)
Exchange realignment	–	–	35	8	2	–	45
At 31 December 2003	–	14	4,822	19,959	3,737	341	28,873
Net book value:							
At 31 December 2003	14,339	6,980	2,190	13,550	2,101	1,183	40,343
At 31 December 2002	15,100	–	2,839	7,984	2,617	784	29,324

13. FIXED ASSETS (continued)

The Group's investment properties and leasehold land and buildings included above are held under the following lease terms:

	Investment properties <i>HK\$'000</i>	Leasehold land and buildings <i>HK\$'000</i>
Hong Kong:		
Medium term leases	653	497
Long term leases	8,500	–
Mainland China:		
Medium term leases	1,600	5,283
Long term leases	3,586	1,200
	<u>14,339</u>	<u>6,980</u>

The Group's investment properties were revalued on 31 December 2003 by Landscape Surveyors Limited, independent professionally qualified valuers, at HK\$14,339,000 on an open market, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 33(a) to the financial statements.

Further particulars of the Group's investment properties are included on page 67.

Certain of the Group's investment properties situated in Hong Kong, with an aggregate carrying value at the balance sheet date of approximately HK\$8,500,000 (2002: HK\$9,000,000), were pledged to secure general banking facilities granted to the Group.

14. INTANGIBLE ASSETS**Group**

	Deferred development costs <i>HK\$'000</i>
Cost:	
At beginning of year	12,029
Additions	8,822
Eliminated on retirement	(10,071)
At 31 December 2003	<u>10,780</u>
Accumulated amortisation and impairment:	
At beginning of year	9,658
Amortisation provided during the year	413
Eliminated on retirement	(10,071)
At 31 December 2003	<u>–</u>
Net book value:	
At 31 December 2003	<u>10,780</u>
At 31 December 2002	<u>2,371</u>

15. GOODWILL AND NEGATIVE GOODWILL

The amounts of the goodwill and negative goodwill capitalised as an asset or recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

	Group	
	Goodwill	Negative goodwill
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:		
At beginning of year	35,239	(2,588)
Acquisition of a subsidiary (note 32(b))	850	–
	<u>36,089</u>	<u>(2,588)</u>
At 31 December 2003	36,089	(2,588)
Accumulated amortisation and impairment/ (recognition as income):		
At beginning of year	4,992	(1,402)
Amortisation provided/(recognised as income) during the year	3,635	(1,186)
	<u>8,627</u>	<u>(2,588)</u>
At 31 December 2003	8,627	(2,588)
Net book value:		
At 31 December 2003	27,462	–
At 31 December 2002	<u>30,247</u>	<u>(1,186)</u>

As detailed in note 3 to the financial statements, on the adoption of SSAP 30 in 2001, the Group applied the transitional provision of SSAP 30 that permitted goodwill in respect of acquisitions which occurred prior to the adoption of the SSAP, to remain eliminated against consolidated reserves.

15. GOODWILL AND NEGATIVE GOODWILL (continued)

Details of the goodwill remaining in consolidated reserves as at 31 December 2003, arising from the acquisition of subsidiaries prior to the adoption of SSAP 30 in 2001, are as follows:

Group

	Goodwill eliminated against consolidated reserves
	<i>HK'000</i>
Cost:	
At beginning of year and at 31 December 2003	11,117
Accumulated impairment:	
At beginning of year and at 31 December 2003	(3,890)
Net amount:	
At 31 December 2003	7,227
At 31 December 2002	7,227

16. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK\$'000	<i>HK\$'000</i>
Unlisted shares, at cost	45,633	45,633
Due from subsidiaries	353,670	354,480
Due to a subsidiary	(706)	(268)
	398,597	399,845
Provision for impairment	(91,643)	(91,643)
	306,954	308,202

The balances with the subsidiaries are unsecured, interest-free and not repayable within one year from the balance sheet date.

16. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Company	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital *	Percentage of equity interest attributable to the Company		Principal activities
			2003	2002	
Apex Result Trading Limited	Hong Kong	Ordinary HK\$2	100	–	Property holding
Computer And Technologies (BVI) Limited	British Virgin Islands	Ordinary US\$1,000	100	100	Investment holding
Computer And Technologies International Limited	Hong Kong	Ordinary HK\$2 Non-voting deferred ** HK\$5,000,000	100	100	Provision of IT services and investment holding
Computer And Technologies Integration Limited	Hong Kong	Ordinary HK\$2	100	100	Provision of system and network integration services
Computer & Technologies International Trading (Shanghai) Company Limited [#]	Mainland China	US\$200,000	100	100	Trading of computer hardware and software
Computer & Technologies (Shanghai) Co., Ltd. ^{##}	Mainland China	US\$3,500,000	100	100	Provision of systems and network integration services
Computer & Technologies Investment Limited	British Virgin Islands	Ordinary US\$1	100	100	Investment holding and treasury investments
C&T (Guangzhou) Investment Limited	Hong Kong	Ordinary HK\$2	100	100	Property holding
C&T (Hong Kong) Investment Limited	British Virgin Islands	Ordinary US\$1	100	100	Property holding
C&T (Nanjing) Investment Limited	Hong Kong	Ordinary HK\$2	100	100	Property holding
C&T (Shanghai) Investment Limited	Hong Kong	Ordinary HK\$2	100	100	Property holding

16. INTERESTS IN SUBSIDIARIES (continued)

Company	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital *	Percentage of equity interest attributable to the Company		Principal activities
			2003	2002	
Computer And Technologies Solutions Limited	Hong Kong	Ordinary HK\$2	100	100	Provision of IT solutions and implementation services
Computer And Technologies Resources Limited	Hong Kong	Ordinary HK\$100	100	100	Provision of resources team for IT solutions implementation
Computer & Technologies Solutions (Shenzhen) Co., Ltd.**	Mainland China	HK\$1,000,000	100	100	Provision of IT solutions and implementation services
Computer And Technologies Solutions Limited	Bermuda	Ordinary US\$13,340	91	91	Provision of IT solutions and implementation services
Global e-Business Services Limited	Hong Kong	Ordinary HK\$1,010,000	100	100	Provision of enterprise application services
Global e-Trading Services Limited	Hong Kong	Ordinary HK\$2,501,000	100	–	Provision of IT services
ets.com.hk Limited	Hong Kong	Ordinary HK\$2	100	100	Provision of e-tendering services for HKSAR Government
e-tendering.com Limited	British Virgin Islands	Ordinary US\$1	100	100	Provision of e-tendering services

16. INTERESTS IN SUBSIDIARIES (continued)

Company	Place of incorporation/ registration	Issued and fully paid share capital/ registered capital *	Percentage of equity interest attributable to the Company		Principal activities
			2003	2002	
IPL Research Limited	Hong Kong	Ordinary HK\$2 Non-voting deferred ** HK\$300,000	100	100	Provision of human resources management and related application software
Maxfair Technology Limited	Hong Kong	Ordinary HK\$2,500,000	75	75	Distribution of digital media products
Maxfair Technology (Taiwan) Company Limited	Taiwan	Ordinary NT\$10,000,000	52.5	52.5	Distribution of digital media products
Modern Lucky Investments Limited	Hong Kong	Ordinary HK\$2	100	–	Property holding

* Registered capital applies only to companies established in Mainland China.

** The non-voting deferred shares, which are not held by the Group, carry no rights to dividends or to receive notice of or to attend or vote at any general meeting. In the winding-up of the subsidiaries, the deferred shareholders carry the right to receive a return of capital after the holders of the ordinary shares have received a sum of HK\$1,000,000,000 per ordinary share.

The subsidiary is registered as a Sino-foreign equity joint venture under PRC law.

The subsidiaries are registered as wholly foreign-owned enterprises under PRC law.

Except for Computer And Technologies (BVI) Limited, all of the above subsidiaries are indirectly held by the Company.

Except for C&T (Hong Kong) Investment Limited, Computer & Technologies Investment Limited and e-tendering.com Limited which are incorporated in the British Virgin Islands but operate in Hong Kong, and Computer And Technologies Solutions Limited, which is incorporated in Bermuda but operates in Singapore, all of the above subsidiaries operate in the place of their incorporation/registration.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. HELD-TO-MATURITY SECURITIES

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
At amortised cost:		
Overseas listed debt securities	1,560	1,560
Unlisted debt securities	8,565	7,300
	10,125	8,860
Portion classified as current assets	(8,860)	–
Non-current portion	1,265	8,860
Market value of overseas listed debt securities	1,596	1,594

The Group's unlisted debt securities were pledged to secure general banking facilities granted to the Group.

18. INVESTMENT SECURITIES

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Club membership debenture, at cost	1,460	1,460
Provision for impairment	(460)	(460)
	1,000	1,000

19. PROMISSORY NOTE RECEIVABLE

The promissory note receivable of the Group represented a refund receivable from the seller in respect of the excess consideration paid by the Group for the acquisition of certain subsidiaries in the prior years. The amount was unsecured, bore interest at 4% per annum and was settled during the year.

20. INVENTORIES

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Work in progress	1,416	8,346
Finished goods	4,844	4,067
	6,260	12,413

The carrying amount of inventories carried at net realisable value included in the above balance was nil (2002: HK\$283,000) as at the balance sheet date.

21. TRADE RECEIVABLES

An aged analysis of the trade receivables, net of provisions, as at the balance sheet date is as follows:

	2003 HK\$'000	Group 2002 <i>HK\$'000</i>
Current	15,566	35,147
Overdue 1 to 3 months	3,822	8,887
Overdue 4 to 6 months	566	1,118
Overdue more than 6 months	1,073	2,515
	21,027	47,667

Credit terms

System 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.

22. CONTRACTS FOR SERVICES

	2003 HK\$'000	Group 2002 <i>HK\$'000</i>
Gross amount due from contract customers	164,895	19,649
Gross amount due to contract customers included in other payables	(477)	(734)
	164,418	18,915
Contract costs incurred plus recognised profits less recognised losses to date	190,778	37,845
Less: Progress billings	(26,360)	(18,930)
	164,418	18,915

23. SHORT TERM INVESTMENTS

	2003 HK\$'000	Group 2002 <i>HK\$'000</i>
Listed equity investments in Hong Kong, at market value	-	9,709

24. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Cash and bank balances	61,298	42,373	1,913	1,318
Time deposits	84,112	158,877	–	–
	145,410	201,250	1,913	1,318
Less: Pledged time deposits for general banking facilities	(3,000)	(12,000)	–	–
Pledged time deposits for guarantees issued by banks	(7,990)	(3,069)	–	–
Pledge time deposits for bank loans (note 27)	(32,979)	–	–	–
Cash and cash equivalents	101,441	186,181	1,913	1,318

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

Included in the balance is an amount of HK\$62,073,000 (2002: HK\$36,164,000) representing the trade payables of the Group. An aged analysis of such payables is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Current	54,790	27,597
Within 1 to 3 months	6,234	8,051
Between 4 to 6 months	1,049	516
	62,073	36,164

26. AMOUNTS DUE FROM/TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

The balances are unsecured, interest-free, and have no fixed terms of repayment.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank loans, secured	35,000	–	–	–
Other loan, unsecured	–	296	–	296
	35,000	296	–	296

All of the above loans are wholly repayable within one year and classified as current liabilities.

The Group's loan facilities amounting to HK\$51,800,000 (2002: Nil), of which HK\$35,000,000 (2002: Nil) had been utilised as at the balance sheet date, are secured by the pledge of certain of the Group's time deposits amounting to HK\$32,979,000 (2002: Nil).

The other loan was unsecured, interest-free and fully repaid during the year.

28. DEFERRED TAX

The movement in deferred tax assets during the year was as follows:

Group

	Losses available for offset against future taxable profit	
	2003 HK\$000	2002 HK\$'000
At beginning of year	–	–
Deferred tax credited to the profit and loss account during the year (note 10)	1,050	–
At 31 December	1,050	–

At 31 December 2003, there is no significant unrecognised deferred tax liability (2002: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, as the Group has no liability to additional tax should such amounts be remitted.

The Group has tax losses arising in Hong Kong of HK\$39,899,000 (2002: HK\$37,672,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. SHARE CAPITAL**Shares**

	2003	Company
	HK\$'000	2002
		HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
274,847,698 (2002: 273,308,198) ordinary shares of HK\$0.10 each	27,485	27,331

A summary of the movements of the Company's issued ordinary share capital and share premium account is as follows:

Ordinary shares	<i>Notes</i>	Number of shares in issue	Issued capital	Share premium account	Total
			<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2002		270,588,198	27,059	324,215	351,274
Share options exercised	<i>(a)</i>	2,720,000	272	3,282	3,554
Offsetting against accumulated losses	<i>31</i>	–	–	(51,406)	(51,406)
At 31 December 2002 and 1 January 2003		273,308,198	27,331	276,091	303,422
Share options exercised	<i>(b)</i>	1,539,500	154	704	858
Offsetting against accumulated losses	<i>31</i>	–	–	(39,718)	(39,718)
At 31 December 2003		274,847,698	27,485	237,077	264,562

(a) During the year ended 31 December 2002, 2,720,000 ordinary shares were allotted to the holders of share options who exercised the options under the share option scheme of the Company.

(b) During the current year, 1,539,500 ordinary shares were allotted to the holders of the share options who exercised the options under the share option scheme of the Company (note 30).

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 30 to the financial statements.

30. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders and any minority shareholder in the Company's subsidiaries. The Scheme became effective on 30 May 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent to, upon their exercise, 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than six years from the commencing date of the share options or the expiry date of the Scheme, whichever is earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") closing price of the Company's shares on the date of the offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

30. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme during the year:

Name or category of participant	Number of share options				Date of grant of share options*	Exercise period of share options	Price of Company's shares***	
	At 1 January 2003	Exercised during the year	Lapsed during the year	At 31 December 2003			Exercise price of share options** HK\$	At exercise date of options HK\$
Directors								
Ma Mok Hoi	200,000	(200,000)	-	-	03.10.1998	26.10.1999 to 25.10.2003	0.281	1.16
Other employees								
In aggregate	760,000	(760,000)	-	-	09.10.1998	26.10.1999 to 25.10.2003	0.298	1.490 to 2.175
	72,000	(48,000)	(24,000)	-	09.10.1998	26.10.1999 to 25.10.2003	0.316	1.370 to 2.475
	286,000	(100,000)	-	186,000	18.08.1999	30.08.2000 to 29.08.2004	0.635	1.120 to 2.475
	526,000	(112,000)	-	414,000	18.08.1999	30.08.2000 to 20.08.2004	0.675	1.390
	96,000	(96,000)	-	-	03.09.1999	17.09.2000 to 16.09.2004	0.753	1.390
	600,000	(223,500)	-	376,500	31.08.2001	06.09.2002 to 05.09.2006	1.563	1.770 to 2.175
	2,653,000	-	-	2,653,000	16.01.2001	23.01.2002 to 22.01.2006	2.672	N/A
	<u>4,993,000</u>	<u>(1,339,500)</u>	<u>(24,000)</u>	<u>3,629,500</u>				
Others	3,750,000	-	(3,750,000)	-	04.02.2002	28.02.2002 to 27.08.2003	2.200	N/A
Total	<u>8,943,000</u>	<u>(1,539,500)</u>	<u>(3,774,000)</u>	<u>3,629,500</u>				

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed as at the date of the exercise of the share options is the weighted average of the Stock Exchange closing prices over all the exercises of options within the disclosure category.

There were no share options granted during the year.

The 1,539,500 share options exercised during the year resulted in the issue of 1,539,500 ordinary shares of the Company and new share capital of HK\$154,000 and share premium of HK\$704,000 (before issue expenses), as detailed in note 29 to the financial statements.

30. SHARE OPTION SCHEME (continued)

At the balance sheet date, the Company had 3,629,500 share options outstanding under the Scheme, which represented approximately 1.3% of the Company's shares in issue as at that date. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 3,629,500 additional ordinary shares of the Company and additional share capital of HK\$363,000 and share premium of HK\$7,712,000 (before issue expenses).

31. RESERVES**Group**

	Notes	Share premium account HK\$'000	Contributed surplus HK\$'000	Goodwill reserve* HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2002		324,215	45,483	(11,117)	411	(42,829)	316,163
Issue of shares	29	3,282	-	-	-	-	3,282
Impairment of goodwill	15	-	-	3,890	-	-	3,890
Offsetting against accumulated losses#	29	(51,406)	-	-	-	51,406	-
Net loss for the year		-	-	-	-	(39,623)	(39,623)
Exchange adjustments		-	-	-	(1,856)	-	(1,856)
At 31 December 2002 and at 1 January 2003		276,091	45,483	(7,227)	(1,445)	(31,046)	281,856
Issue of shares	29	704	-	-	-	-	704
Offsetting against accumulated losses ##	29	(39,718)	-	-	-	39,718	-
Net profit for the year		-	-	-	-	6,066	6,066
Exchange adjustments		-	-	-	(1,098)	-	(1,098)
At 31 December 2003		237,077	45,483	(7,227)	(2,543)	14,738	287,528

* The amount of goodwill arose on the acquisition of subsidiaries prior to 1 January 2001 and remains eliminated against consolidated reserves as explained in note 15 to the financial statements.

On 30 May 2002, an annual general meeting of the Company was convened and the shareholders approved to offset the accumulated losses of the Company as at 31 December 2001 amounted to HK\$51,406,000 by debiting the same amount to the share premium account.

On 19 May 2003, an annual general meeting of the Company was convened and the shareholders approved to offset the accumulated losses of the Company as at 31 December 2002 amounted to HK\$39,718,000 by debiting the same amount to the share premium account.

31. RESERVES (continued)**Company**

	<i>Note</i>	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2002		324,215	45,483	(51,406)	318,292
Offsetting against accumulated losses [#]	29	(51,406)	–	51,406	–
Issue of shares	29	3,282	–	–	3,282
Net loss for the year		–	–	(39,718)	(39,718)
At 31 December 2002 and 1 January 2003		276,091	45,483	(39,718)	281,856
Offsetting against accumulated losses ^{##}	29	(39,718)	–	39,718	–
Issue of shares	29	704	–	–	704
Net loss for the year		–	–	(1,215)	(1,215)
At 31 December 2003		237,077	45,483	(1,215)	281,345

The contributed surplus of the Company and the Group represents the difference between the nominal value of the share capital issued by the Company and the aggregate net asset value of the subsidiaries acquired at the date of their acquisition pursuant to the Group reorganisation on 29 April 1998.

Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus in certain circumstances.

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of profit/(loss) before tax to cash used in operations**

	<i>Notes</i>	2003 HK\$'000	2002 <i>HK\$'000</i>
Profit/(loss) before tax		5,670	(39,030)
Adjustment for:			
Interest income	5	(2,840)	(4,473)
Exchange gain		(1,264)	(2,179)
Dividend income from listed investments	5	(318)	(464)
Gain on disposal of listed investments	5	(1,413)	–
Negative goodwill recognised as income	5	(1,186)	(1,294)
Depreciation	6	7,458	8,793
Write-off of fixed assets	6	32	1,979
Amortisation of intangible assets	6	413	1,715
Deficit on revaluation of investment properties	6	200	600
Goodwill amortisation and impairment	6	3,635	7,414
Unrealised loss on revaluation of short term listed investments	6	–	3,180
Finance cost		359	–
Operating profit/(loss) before working capital changes		10,746	(23,759)
Decrease/(increase) in inventories		6,153	(6,135)
Decrease in trade receivables		26,640	34,097
Increase in amounts due from contract customers		(145,246)	(13,477)
Decrease/(increase) in amount due from minority shareholder of a subsidiary		1,852	(1,852)
Decrease in prepayments, deposits and other receivables		1,456	885
Increase in trade payables, other payables and accruals		21,504	6,127
Increase/(decrease) in deferred income		161	(255)
Increase/(decrease) in amounts due to minority shareholders of subsidiaries		(120)	22
Cash used in operations		(76,854)	(4,347)

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)**(b) Acquisition of a subsidiary**

	2003 HK\$'000	2002 HK\$'000
Net assets acquired:		
Cash and bank balances	2,079	–
Other payables and accruals	(214)	–
	1,865	–
Goodwill on acquisition (note 15)	850	–
Consideration*	2,715	–
Satisfied by:		
Cash	2,715	–

* The total consideration included incidental costs of acquisition totalling approximately HK\$214,000, comprising primarily commission, legal and professional fees, which were satisfied by cash.

The subsidiary acquired during the year contributed no turnover and a loss of HK\$32,000 to the Group's profit before tax for the current year.

An analysis of the net outflow of cash and cash equivalents in respect of acquisition of the subsidiary is as follows:

	2003 HK\$'000	2002 HK\$'000
Cash consideration	(2,715)	–
Cash and bank balances acquired	2,079	–
Net outflow of cash and cash equivalents in respect of acquisition of a subsidiary	(636)	–

During the year, on 20 March 2003, the Group acquired 100% equity interest in GACOLink Limited (subsequently renamed as Global e-Trading Services Limited ("Ge-TS")) from independent third parties. Ge-TS is engaged in the provision of IT services. The purchase consideration of HK\$2,715,000 was satisfied by cash on the date of acquisition.

32. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)**(c) Restricted cash and cash equivalent balances**

Certain of the Group's time deposits are pledged to banks to secure bank loans, general banking facilities and guarantees granted to the Group, as further explained in note 24 to the financial statements.

33. OPERATING LEASE ARRANGEMENTS**(a) As lessor**

The Group leases its investment properties (note 13) under operating lease arrangements, with leases negotiated for terms ranging from one to two years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2003 <i>HK\$'000</i>	Group 2002 <i>HK\$'000</i>
Within one year	1,697	1,264
In the second to fifth years, inclusive	1,484	1,642
	3,181	2,906

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to six years.

At 31 December 2003, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Within one year	7,162	6,089	2,232	2,232
In the second to fifth years, inclusive	5,879	10,568	3,348	5,580
	13,041	16,657	5,580	7,812

34. CONTINGENT LIABILITIES

	2003 HK\$'000	Group 2002 <i>HK\$'000</i>
Guarantees given to customers for compliance with service contracts	40,582	17,798

The Company issued corporate guarantees to certain suppliers of the Group in respect of purchases from those suppliers. At 31 December 2003, the outstanding amount due to these suppliers by the Group amounted to HK\$5,453,000 (2002: HK\$4,770,000).

35. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions and balances set out elsewhere in the notes to the financial statements, the Group had the following material connected and related party transaction during the year:

	2003 HK\$'000	2002 <i>HK\$'000</i>
Rental expense paid to: Ng Cheung Shing ("Mr. Ng", a director of the Company)	354	531

On 5 February 2002, the Company entered into a rental agreement with Mr. Ng to rent a property in Beijing, Mainland China, as office premises at a monthly rent of US\$5,675 (equivalent to HK\$44,265) for a term of two years commencing from 1 January 2002.

The rental was determined by reference to the market rental for offices of similar quality in the same district obtained from independent sources. In the opinion of the directors, this transaction was entered into by the Group in the normal course of its business.

During the year, the rental agreement was terminated early under mutual agreement between the Company and Mr. Ng.

36. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of the revised SSAP 12 during the current year, the presentation of certain items in the financial statements have been revised to comply with the new requirements. In addition, as the revenue generated from the property investments and treasury investments operations has become increasingly material to the Group's revenues, the directors consider it more appropriate to record the revenue generated from these two operations as "turnover" in the current year. Revenue from these operations was previously included in "other revenue and gains" on the face of the profit and loss account. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 April 2004.