

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Statement of Standard Accounting Practice 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

The unaudited condensed financial statements have been prepared under the historical cost convention.

The unaudited condensed financial statements have been prepared in accordance with the accounting policies consistent with those adopted by the Group in its financial statement for the year ended 31st December 2002.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group's turnover and contribution to profit from operations for both periods ended 30th June 2003 and 30th June 2002 respectively, analysed by the business segments and geographical segments are as follows:

	Six months ended 30th June			
	2003 Unaudited	Contribution to profit from operations	2002 Unaudited	Contribution to profit from operation
	Turnover HK\$'000	HK\$'000	Turnover HK\$'000	HK\$'000
BY BUSINESS SEGMENTS				
Manufacturing & trading of media products	103,239	21,914	96,832	31,502
Manufacturing & trading of computer accessories	10,963	2,137	15,903	5,796
Total fulfilment services	10,111	1,821	39,130	5,113
Distribution of media products	50,097	11,203	36,326	10,124
Others	-	-	1,525	478
	<u>174,410</u>	<u>37,075</u>	<u>189,716</u>	53,013
Other revenue		850		277
Unallocated corporate expenses		(24,100)		(37,139)
Profit from operations		13,825		16,151
Finance costs		(4,783)		(6,188)
Share of profit of an associate		751		359
Profit before taxation		<u>9,793</u>		<u>10,322</u>
BY GEOGRAPHICAL SEGMENTS				
Asia				
- The People's Republic of China (including Hong Kong)	100,416		70,755	
- Other regions in Asia	34,416		36,464	
Europe	32,824		41,986	
North America	6,754		34,142	
Others	-		6,369	
	<u>174,410</u>		<u>189,716</u>	

3. OTHER REVENUE

	Six months ended 30th June	
	2003	2002
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interest income	116	232
Others	1,375	45
	1,491	277

4. DEPRECIATION

During the period, depreciation of HK\$9,973,000 (six months ended 30th June 2002: HK\$13,839,000) was charged in respect of the Group's property, plant and equipment and amortisation of HK\$1,236,000 (six months ended 30th June 2002: HK\$1,249,000) was charged in respect of the Group's intangible assets and goodwill.

5. EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2003, the number of employees of the Group was about 1,000 (as at 30th June 2002: 1,200). Remuneration package of employees are maintained at competitive level and includes monthly salaries, insurance and medical cover, mandatory provident fund and share option scheme. Other employee benefits include educational allowance and training programs and discretionary bonuses.

6. TAXATION

	Six months ended 30th June	
	2003	2002
	Unaudited	Unaudited
	HK\$'000	HK\$'000
The charge comprises:		
Profits tax for the period		
Hong Kong	68	250
Overseas	58	201
	126	451

Hong Kong Profits Tax is calculated at 17.5% (six months ended 30th June 2002: 16%) of the estimated assessable profits for the period. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

7. PROPOSED INTERIM DIVIDEND

The directors do not recommend the payment of interim dividend for the period (six months ended 30th June 2002: nil).

8. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$10,162,000 (six months ended 30th June 2002: HK\$10,381,000) and the weighted average number of 358,494,000 (six months ended 30th June 2002: 358,494,000) shares in issue during the period.

No diluted earnings per share has been presented because the exercise price of the Company's share options and the conversion of the Company's outstanding convertible bonds were higher than the average market price for shares for the periods of six months ended 30th June 2003 and the six months ended 30th June 2002 respectively.

9. PROPERTY, PLANT AND EQUIPMENT

For the six months ended 30th June 2003, the Group has acquired fixed assets amounting to approximately HK\$4,925,000 (year ended 31st December 2002: HK\$1,314,000).

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	30th June 2003	31st December 2002
	Unaudited	Audited
	HK\$'000	HK\$'000
Trade debtors	18,566	44,007
Other debtors, deposits and prepayments	76,185	64,072
	94,751	108,079

The Group has a policy of allowing credit period varying from 30 to 90 days. The aged analysis of the trade debtors is as follows:

	30th June 2003	31st December 2002
	Unaudited	Audited
	HK\$'000	HK\$'000
0 to 3 months	14,679	36,420
4 to 6 months	1,191	3,709
7 to 9 months	1,585	3,092
10 to 12 months	239	293
Over 1 year	872	493
	18,566	44,007

11. TRADE AND OTHER PAYABLES

	30th June 2003 Unaudited HK\$'000	31st December 2002 Audited HK\$'000
Trade creditors	30,198	36,623
Other creditors and accruals	14,949	16,095
	<u>45,147</u>	<u>52,718</u>

The aged analysis of the trade creditors is as follows:

	30th June 2003 Unaudited HK\$'000	31st December 2002 Audited HK\$'000
0 to 3 months	20,126	27,184
4 to 6 months	8,679	8,545
7 to 9 months	1,047	266
10 to 12 months	190	628
Over 1 year	156	–
	<u>30,198</u>	<u>36,623</u>

12. RESERVES

	Share Premium HK\$'000	Capital Reserve HK\$'000	Translation Reserve HK\$'000	Properties Revaluation Reserve HK\$'000	Retained Profits HK\$'000	Total HK\$'000
THE GROUP						
As at 1st January 2002	77,202	(35,034)	(644)	10,759	126,788	179,071
Profit for the year ended 31st December 2002	-	-	-	-	16,594	16,594
Exchange difference on translation of foreign subsidiaries and an associated not recognised in the income statement	-	-	450	-	-	450
Realised on disposals of land and buildings	-	-	-	(5,472)	5,472	-
As at 31st December 2002	77,202	(35,034)	(194)	5,287	148,854	196,115
Profit for the period ended 30th June 2003	-	-	-	-	10,162	10,162
Exchange difference on translation of foreign Subsidiaries and an associate	-	-	(61)	-	-	(61)
As at 30th June 2003	77,202	(35,034)	(255)	5,287	159,016	206,216
Comprising:						
At 30th June 2003						
The Company and subsidiaries	77,202	(35,034)	(23)	5,287	155,203	202,635
The associate	-	-	(232)	-	3,813	3,581
	77,202	(35,034)	(255)	5,287	159,016	206,216
At 31st December 2002						
The Company and subsidiaries	77,202	(35,034)	38	5,287	145,792	193,285
The associate	-	-	(232)	-	3,062	2,830
	77,202	(35,034)	(194)	5,287	148,854	196,115

The Capital reserve of the Group at 30th June 2003 amounted to HK\$35,034,000 (As at 31st December 2002: HK\$35,034,000), comprising the reserve arising on group reorganisation in 1996 of HK\$1,863,000 and the goodwill arising in acquisition of subsidiaries and an associate amounting to HK\$25,447,000 (As at 31st December 2002: HK\$25,447,000) and HK\$11,450,000 (As at 31st December 2002: HK\$11,450,000) respectively.

13. CONVERTIBLE NOTES

	30th June 2003 Unaudited HK\$'000	31st December 2002 Audited HK\$'000
Convertible notes	39,600	39,600
Less: Amounts due within one year shown under current liabilities	(39,600)	–
Amount due after one year	–	39,600

The convertible notes issued were part of the consideration for the acquisition of a company holding an agreement for sale and promotion of data media products together with the distributorship and sales agreement with the existing clients of certain vendors in 2001.

The convertible bond in the amount of HK\$39,600,000 is divided into four convertible notes and is interest free. A convertible note of HK\$32,700,000 is convertible in part or in whole into Company's new shares at any time during the period commencing 18 months from the date of issue on 5th January 2001 to, but excluding, the third anniversary from the date of issue (the "Maturity Date"). To the extent that this convertible note has not been previously converted, it will be redeemed on the Maturity Date at the then outstanding principal amount provided that the Company has the option to call on the holder to convert this convertible note on the same date wholly into Company's new shares. The three convertible notes, each having a principal amount of HK\$2,300,000, are convertible in part or in whole into the Company's new shares at any time during the period commencing 12, 24 and 33 months from the date of issue respectively up to, but excluding, the Maturity Date. To the extent that the three convertible notes have not been previously converted, the convertible notes will be redeemed on the Maturity Date at the then outstanding principal amounts.

As at 9th September 2003, the holder of two convertible notes, each having a principal amount of HK\$2.3 million, requires the Company to convert the whole of the principal amount outstanding under these convertible notes into share of the Company at HK\$0.55 per share. A total of 8,360,000 shares will be allotted and issued to the holder upon the exercise of the conversion rights under two of the convertible notes by the holder.

14. CONTINGENT ASSETS

In December 1997, Jackin Total Fulfilment Services Limited (“JTFS”), a wholly owned subsidiary of the Company entered into an agreement with a former customer (“the customer”) under which JTFS was required to set up a software manufacturing fulfilment plant in Shanghai, the People’s Republic of China and the customer was obliged, among other things, to place annual minimum orders to JTFS for the five years ended 31st December 2002. Should the customer fail to place the minimum orders, JTFS is entitled to claim for the shortfall under the agreement. During the two years ended 31st December 1999, the orders from the customer did not meet the minimum orders stipulated in the agreement. The customer further terminated the agreement in March 2000. Accordingly, no further orders were placed by the customer after the termination of the agreement.

JTFS took legal action in 2000 to claim against the customer for an approximate amount of US\$54 million including US\$276,809 for the outstanding invoices and US\$53.77 million for the shortfalls of the minimum commitment for the years 1998 to 2002 or alternatively general damages for breach of contract. The customer has made an unspecified counterclaim for general damages against JTFS. An arbitration tribunal in Hong Kong (“the Tribunal”) has been formed to determine the liability and amount payable.

An arbitration award on liability was granted in favour of JTFS on 18th July 2003 by the Tribunal and the customer was ordered to pay the said sum of US\$276,809 to JTFS. The counterclaim made by the customer was dismissed by the Tribunal. The exact amount of the liability for the shortfalls of the minimum commitment and/or breach of contract is subject to further determination by the Tribunal.

All direct expenditure incurred for the claim and the investment costs in establishment of the above manufacturing plant amounting to HK\$43.7 million are capitalised and carried in the financial statements pending the settlement of the claim. The Directors of the Company are of the opinion that the Group has sufficient funds to continue pursuing the claim.

15. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	30th June 2003 Unaudited HK\$'000	31st December 2002 Audited HK\$'000	30th June 2003 Unaudited HK\$'000	31st December 2002 Audited HK\$'000
Bills discounted with recourse	65,545	51,535	-	-
Guarantees given to bankers in respect of banking facilities utilised by subsidiaries	-	-	356,727	362,600
	65,545	51,535	356,727	362,600

In addition, in 1998 a subsidiary of the Company received a writ from a customer in Hong Kong claiming amounts of Rmb5,885,000 and US\$1,000,000 relating to alleged defective products delivered by that subsidiary. However, the Directors, based on an opinion from the Group’s independent legal advisers, consider that the allegations made by the customer are not valid and are of the opinion that such claims will not cause any material loss to the Group. No provision for the cost of the legal fees or loss, if any, arising from the allegation has been made in the financial statements.

16. LEASE COMMITMENTS

The Group as lessee

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

	THE GROUP	
	30th June 2003 Unaudited HK\$'000	31st December 2002 Audited HK\$'000
Within one year	3,206	3,375
In the second to fifth year inclusive	7,740	9,676
Over five years	4,555	6,244
	<u>15,501</u>	<u>19,295</u>

At 30 June 2003, the Company had no commitments under non-cancellable operating leases (As at 31st December 2002: Nil).

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 4 (2002: 3) years and rentals are fixed for an average of 4 (2002: 3) years.

The Group as lessor

Rental income earned in respect of plant and machinery during the year was HK\$216,000 (2002: HK\$1,662,000). The plant and machinery are expected to generate rental yields of 12% (2002: 12%) on an ongoing basis. All of the plant and machinery leased originally have committed lessees for three (2002: three) years.

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

	THE GROUP	
	30th June 2003 Unaudited HK\$'000	31st December 2002 Audited HK\$'000
Within one year	–	735
In the second to fifth year inclusive	–	–
	<u>–</u>	<u>735</u>

17. CAPITAL COMMITMENTS

At the balance sheet date, the Group and the Company did not have any significant capital commitments.

18. RETIREMENT AND PENSION PLANS

The Group has a Mandatory Provident Fund scheme (“MPF Scheme”) for all employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules of the MPF Scheme. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the MPF Scheme.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme.

The employees of the Group’s subsidiaries in other jurisdictions are members of state-managed retirement benefit schemes operated by the government of the jurisdictions. The subsidiaries are required to contribute a specified percentage of their payroll costs to the retirement benefit schemes. The only obligations of the Group with respect of the retirement benefit schemes is to make the specified contributions.

During the year, the Group made retirement benefit scheme contributions amounting to HK\$547,000 (As at 31st December 2002: HK\$1,450,000).

19. RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with related parties conducted on terms arrived at by reference to market prices during the year:

	THE GROUP	
	30th June 2003 Unaudited HK\$'000	31st December 2002 Audited HK\$'000
Rental payments to Ms. Chan Siu Chu	162	324

Ms. Chan Siu Chu is the mother of Ms. Ho Yin King, Helena, Ms. Ho Yat Wah, Hermia and Mr. Ho Fai Keung, Jacky.

The above related party transactions have been approved by the Independent Non-executive Directors.

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.