

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of Preparation

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and 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”).

2. Principal Accounting Policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2003, except for the adoption of SSAP 12 (Revised) “Income Taxes” which becomes effective in the current period.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts have been restated accordingly. As a result of this change in policy, the accumulated profits at 1st April, 2002 has been decreased by HK\$5,755,000, and has had no material effect on the results for each of the three months and the six months ended 30th September, 2003 and 2002.

3. Turnover and Segmental Information

Turnover represents the net amount received and receivable for goods sold by the Group to outside customers, less returns and allowances and revenue from service contracts, and is analysed as follows:

	Three months ended		Six months ended	
	30.9.2003	30.9.2002	30.9.2003	30.9.2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of goods	120,694	199,766	273,518	370,241
Revenue from service contracts	83,430	92,712	173,186	152,900
	<u>204,124</u>	<u>292,478</u>	<u>446,704</u>	<u>523,141</u>

Although the Group sells computer products and provides a wide range of services, in the opinion of the directors, all the sales of goods and provision of services are IT related and, in most of the time, are negotiated under a single contract with a single customer. Accordingly, the directors consider that the Group is engaged in one single business segment, namely IT services, and mainly serves the Hong Kong market.

4. Profit from Operations

	Three months ended		Six months ended	
	30.9.2003	30.9.2002	30.9.2003	30.9.2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:				
Depreciation and amortisation:				
Intangible assets (included in sales and technical support costs)	578	1,513	1,539	3,008
Property, plant and equipment	8,728	7,524	16,923	15,353
Loss on disposal of property, plant and equipment	194	653	550	804
and after crediting:				
Interest income	394	500	966	1,104
Dividend income from listed securities	7,226	20,810	7,226	20,810
Gain on disposal of listed securities	2,815	5,181	2,815	5,181
	<u>2,815</u>	<u>5,181</u>	<u>2,815</u>	<u>5,181</u>

5. Taxation

	Three months ended		Six months ended	
	30.9.2003 (Unaudited) HK\$'000	30.9.2002 (Unaudited) HK\$'000	30.9.2003 (Unaudited) HK\$'000	30.9.2002 (Unaudited) HK\$'000
The charge comprises:				
Hong Kong Profits Tax	–	1,509	–	1,509
Overseas taxation	<u>294</u>	<u>192</u>	<u>294</u>	<u>448</u>
Taxation attributable to the Company and its subsidiaries	<u><u>294</u></u>	<u><u>1,701</u></u>	<u><u>294</u></u>	<u><u>1,957</u></u>

Hong Kong Profits Tax is calculated at 17.5% (FY03: 16%) of the estimated assessable profit for the three months and the six months ended 30th September, 2003. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

6. Interim Dividend

The directors have determined that an interim dividend of HK1.0 cent (FY03: HK1.6 cents) per share for the six months ended 30th September, 2003 should be paid to the shareholders of the Company whose names appear in the register of members on 16th December, 2003.

7. Earnings Per Share

The calculation of the basic and diluted earnings per share is based on the following data:

	Three months ended		Six months ended	
	30.9.2003 (Unaudited) HK\$'000	30.9.2002 (Unaudited) HK\$'000	30.9.2003 (Unaudited) HK\$'000	30.9.2002 (Unaudited) HK\$'000
Earnings for the purpose of basic earnings per share and diluted earnings per share	<u>8,328</u>	<u>26,087</u>	<u>2,682</u>	<u>18,938</u>
	Number of shares '000		Number of shares '000	
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>290,943</u>	288,890	<u>290,927</u>	288,843
Effect of dilutive share options	<u>606</u>	630	<u>514</u>	778
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>291,549</u>	<u>289,520</u>	<u>291,441</u>	<u>289,621</u>

8. Movements in Property, Plant and Equipment

During the period, the Group spent HK\$17,530,000 on property, plant and equipment. The Group disposed of property, plant and equipment with an aggregate carrying amount of HK\$1,494,000 for proceeds of HK\$944,000, resulting in a loss on disposal of HK\$550,000.

The Group's leasehold land and buildings were stated at valuation made in 1998, less depreciation and amortisation. The directors, after taking into account the current market condition, considered that the carrying amounts of the Group's leasehold land and buildings at 30th September, 2003 did not differ significantly from their market value at the same date.

9. Trade Receivables

The Group has granted credit to substantially all of its customers for 30 days. The Group seeks to maintain strict control over its outstanding receivables and has credit control procedures in place to minimise credit risk. Overdue balances are reviewed regularly by senior management.

An aged analysis of the trade receivables at the balance sheet date, based on payment due date and net of provisions, is as follows:

	30.9.2003 (Unaudited) HK\$'000	31.3.2003 (Audited) HK\$'000
Current	69,484	85,917
Within 1 month	40,593	26,255
1 – 2 months	11,917	16,935
2 – 3 months	16,483	7,982
Over 3 months	9,942	5,157
	<u>148,419</u>	<u>142,246</u>

10. Trade and Bills Payables

An aged analysis of trade and bills payables at the balance sheet date, based on payment due date, is as follows:

	30.9.2003 (Unaudited) HK\$'000	31.3.2003 (Audited) HK\$'000
Current	60,962	128,147
Within 1 month	39,290	26,981
1 – 2 months	15,024	6,479
2 – 3 months	2,061	1,794
Over 3 months	2,697	7,021
	<u>120,034</u>	<u>170,422</u>

11. Bank Borrowings

	30.9.2003 (Unaudited) <i>HK\$'000</i>	31.3.2003 (Audited) <i>HK\$'000</i>
Trust receipt loans	14,260	24,622
Bank loans	3,248	4,559
Bank overdraft	879	—
	<u>18,387</u>	<u>29,181</u>

The above bank borrowings are unsecured and repayable within one year.

12. Capital Commitments

	30.9.2003 (Unaudited) <i>HK\$'000</i>	31.3.2003 (Audited) <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment:		
Authorised but not contracted for	11	41
Contracted for but not provided	880	2,400
	<u>891</u>	<u>2,441</u>

13. Contingent Liabilities

	30.9.2003 (Unaudited) <i>HK\$'000</i>	31.3.2003 (Audited) <i>HK\$'000</i>
Counter indemnities given to banks in respect of guarantees issued by the banks to the Group's customers	<u>23,504</u>	<u>21,912</u>

14. Related Party Transactions

During the period, the Group had the following transactions with fellow subsidiaries:

	Notes	Three months ended		Six months ended	
		30.9.2003 (Unaudited) HK\$'000	30.9.2002 (Unaudited) HK\$'000	30.9.2003 (Unaudited) HK\$'000	30.9.2002 (Unaudited) HK\$'000
Sales by the Group	(a)	472	207	1,497	337
Purchases by the Group	(a)	148	399	155	840
Rentals received					
by the Group	(b)	24	36	60	72
Staff costs reimbursed					
to the Group	(c)	34	129	242	346
Rentals and administrative					
expenses reimbursed					
by the Group	(c)	19	55	82	141

The above transactions were entered into on the following bases:

- (a) The sale and purchase transactions were made according to the published prices and conditions similar to those offered to/by the major customers/suppliers of the Group.
- (b) The rental income related to the letting of certain of the Group's properties to the related companies for office use. The monthly rental was determined by reference to open market rates.
- (c) The staff costs, and rentals and administrative expenses were reimbursed at cost.