

NOTES TO THE FINANCIAL STATEMENTS

31ST MARCH, 2004

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Computer Sciences Corporation, a public listed company in the United States of America.

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries and associates are set out in notes 16 and 17, respectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, Statement of Standard Accounting Practice ("SSAP") No. 12 (Revised) "Income taxes" issued by the Hong Kong Society of Accountants.

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 the profit for the year has been decreased by HK\$357,000 (FY03: increased by HK\$2,799,000).

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of land and buildings and investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

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

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

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates, less any identified impairment loss.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and 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.

Maintenance service income is recognised on a straight line basis over the term of the maintenance service contract.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment, other than leasehold land and buildings, are stated at cost less depreciation and any identified impairment loss.

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Leasehold land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent depreciation, amortisation and any identified impairment loss. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same assets previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Depreciation and amortisation are provided to write off the cost or valuation of the assets over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the remaining term of the lease or 50 years, whichever is shorter
Buildings	2.5%
Outsourcing contract computer equipment	20% – 33 ¹ / ₃ %
Furniture and fixtures	10% – 20%
Motor vehicles and vessels	20%
Computer and office equipment in data centre, help desk and print centre	10%
Other computer and office equipment	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over the commercial lives of the underlying products of three years, commencing in the year when the products are put into commercial production.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense the period in which it is incurred.

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Patents and licences

Patents and licences are measured initially at cost and amortised on a straight line basis over their estimated useful lives of the projects of two years.

Outsourcing contract costs

Costs on outsourcing contracts are generally expensed as incurred. Certain costs incurred upon initiation of an outsourcing contract are deferred and charged to expense over the life of the contract. These costs consist of contract acquisition and transition costs, including the cost of due diligence activities after competitive selection and costs associated with installation of systems and processes. Computer equipment acquired in connection with outsourcing transactions are capitalised in property, plant and equipment. Amounts paid in excess of the fair market value of the outsourcing contract computer equipment acquired are capitalised as outsourcing contract costs and amortised over the life of the contract of twelve years.

Club membership

Club membership is stated at cost less any identified impairment loss.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

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Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all costs to be incurred in marketing, selling and distribution.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the terms of the relevant leases.

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Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses which exceed 10% of the greater of the present value of the Group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets.

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4. TURNOVER

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:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Sales of goods	632,104	866,551
Revenue from service contracts	331,862	315,995
	963,966	1,182,546

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 information technology ("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.

5. OTHER OPERATING INCOME

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on bank deposits	1,594	2,162
Dividend income from listed securities	7,226	20,810
Exchange gain, net	606	172
Gain on disposal of listed securities	5,753	10,961
Others	1,693	1,595
	16,872	35,700

6. RESTRUCTURING COSTS

The amounts include payments made to a director upon his retirement in FY03 and other staff redundancy cost incurred as a result of the restructuring of the Group's operations in both years. The payments to the director in FY03 was included in directors' remuneration as disclosed in note 9.

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7. PROFIT FROM OPERATIONS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Directors' remuneration (<i>Note 9</i>)	5,772	14,752
Other staff costs		
Salaries and other benefits	166,125	197,263
Retirement benefit scheme contributions, net of forfeited contributions of approximately HK\$6,081,000 (FY03: HK\$825,000)	1,412	7,495
Total staff costs	173,309	219,510
Auditors' remuneration	721	655
Cost of goods sold	587,010	789,735
Depreciation and amortisation:		
Property, plant and equipment	34,429	30,131
Intangible assets (included in sales and technical support costs)	2,404	5,571
Loss on disposal of property, plant and equipment	671	1,255
Operating lease rentals in respect of premises	5,017	6,465

8. FINANCE COSTS

The amount represents interest on bank borrowings wholly repayable within five years.

9. DIRECTORS' REMUNERATION

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Fees	470	468
Other emoluments:		
Salaries and other benefits	3,417	3,330
Retirement benefit scheme contributions	1,185	6,481
Performance related incentive bonus	700	4,473
	5,772	14,752

The amounts disclosed above include directors' fees of HK\$100,000 (FY03: HK\$100,000) paid to independent non-executive directors.

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Included in the retirement benefit scheme contributions in FY03 was a special contribution of HK\$4,600,000 paid to a director under the Company's defined benefit retirement benefit scheme pursuant to his retirement.

The remuneration of the directors was within the following bands:

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	9	9
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$3,500,001 to HK\$4,000,000	1	–
HK\$5,500,001 to HK\$6,000,000	–	1
HK\$6,500,001 to HK\$7,000,000	–	1
	<u>9</u>	<u>13</u>

During the year, no remuneration has been paid by the Group to the directors as an inducement to join or upon joining the Group and no directors have waived any remuneration.

10. FIVE HIGHEST-PAID EMPLOYEES

The five highest paid individuals in the Group for the year included two (FY03: three) directors, details of whose remuneration are set out in note 9 above. The remuneration of the remaining three (FY03: two) highest paid individuals for the year are as follows:

	2004	2003
	HK\$'000	HK\$'000
Salaries and other benefits	6,051	3,677
Retirement benefit scheme contributions	29	36
	<u>6,080</u>	<u>3,713</u>

Their remuneration was within the following bands:

	Number of employees	
	2004	2003
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$2,500,001 to HK\$3,000,000	1	–
	<u>3</u>	<u>2</u>

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11. TAXATION

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)
The charge comprises:		
Current tax:		
Hong Kong	1,901	3,157
Overseas taxation	1,135	2,148
Overprovision in prior years:		
Hong Kong	(2,185)	–
Overseas taxation	(70)	–
	781	5,305
Deferred taxation	357	(2,799)
 Taxation attributable to the Company and its subsidiaries	 1,138	 2,506

Hong Kong Profits Tax is calculated at 17.5% (FY03: 16%) of the estimated assessable profits derived from Hong Kong for the year.

Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

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Taxation charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit before taxation	<u>21,482</u>	<u>43,129</u>
Tax at the domestic income tax rate of 17.5% (FY03: 16%)	3,759	6,901
Tax effect of expenses not deductible for tax purpose	393	1,684
Tax effect of income not taxable for tax purpose	(1,446)	(2,639)
Tax effect of tax loss not recognised	95	173
Tax effect of utilisation of tax loss not previously recognised	(434)	(93)
Overprovision in prior years	(2,255)	–
Effect of different tax rate applied to dividend income from listed securities in other jurisdiction	(485)	(2,092)
Effect of different tax rates of overseas operations	101	190
Increase in opening deferred tax liabilities resulting from an increase in domestic income tax rate	839	–
Others	<u>571</u>	<u>(1,618)</u>
Taxation charge for the year	<u>1,138</u>	<u>2,506</u>

12. DIVIDENDS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Ordinary shares:		
Interim, paid – HK1.0 cent (FY03: HK1.6 cents) per share	2,915	4,623
Final, proposed – HK2.2 cents (FY03: HK1.6 cents) per share	<u>6,414</u>	<u>4,655</u>
	<u>9,329</u>	<u>9,278</u>

The final dividend for the year of HK2.2 cents per share has been proposed by the directors and is subject to approval by the Company's shareholders in the forthcoming annual general meeting.

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13. EARNINGS PER SHARE

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)
Earnings for the purpose of basic earnings per share and diluted earnings per share	<u>18,184</u>	<u>38,983</u>
	Number of shares	
	2004	2003
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>291,161</u>	289,134
Effect of dilutive potential ordinary shares – Share options	<u>912</u>	<u>633</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>292,073</u>	<u>289,767</u>

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14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Outsourcing contract computer equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles and vessels HK\$'000	Computer and office equipment in data center, help desk and print centre HK\$'000	Other computer and office equipment HK\$'000	Total HK\$'000
THE GROUP							
COST OR VALUATION							
At 1st April, 2003	90,000	19,841	33,038	2,633	7,258	130,739	283,509
Exchange realignment	-	139	17	17	-	214	387
Additions	-	19,207	837	111	-	9,666	29,821
Disposals	-	(468)	(511)	(416)	-	(3,549)	(4,944)
Reclassification	-	-	(244)	-	-	244	-
At 31st March, 2004	90,000	38,719	33,137	2,345	7,258	137,314	308,773
Comprising:							
At cost	-	38,719	33,137	2,345	7,258	137,314	218,773
At valuation - 1998	90,000	-	-	-	-	-	90,000
	90,000	38,719	33,137	2,345	7,258	137,314	308,773
DEPRECIATION AND AMORTISATION							
At 1st April, 2003	8,606	7,281	21,346	1,984	1,797	79,878	120,892
Exchange realignment	-	117	8	10	-	66	201
Provided for the year	2,025	9,033	4,128	411	726	18,106	34,429
Eliminated on disposals	-	(326)	(106)	(406)	-	(2,861)	(3,699)
Reclassification	-	-	(117)	-	-	117	-
At 31st March, 2004	10,631	16,105	25,259	1,999	2,523	95,306	151,823
NET BOOK VALUES							
At 31st March, 2004	79,369	22,614	7,878	346	4,735	42,008	156,950
At 31st March, 2003	81,394	12,560	11,692	649	5,461	50,861	162,617

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The leasehold land and buildings are situated in Hong Kong and are held under medium-term leases. They are stated at valuation, less depreciation and amortisation. The valuation was carried out by C.Y. Leung & Company, an independent professional valuer, on an open market value basis in 1998. The directors, after taking into account the current market condition, consider that the carrying amount of the leasehold land and buildings at 31st March, 2004 did not differ significantly from their market value at the same date.

If the leasehold land and buildings had not been revalued, they would have been included in these financial statements at historical cost, less accumulated depreciation and amortisation, of HK\$81,463,000 (FY03: HK\$83,919,000).

15. INTANGIBLE ASSETS

	Deferred development costs <i>HK\$'000</i>	Outsourcing contract costs <i>HK\$'000</i>	Patents and licences <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP				
COST				
At 1st April, 2003	13,896	1,482	7,800	23,178
Exchange realignment	–	(1)	–	(1)
Additions	445	1,424	–	1,869
Disposals	–	–	–	–
At 31st March, 2004	14,341	2,905	7,800	25,046
AMORTISATION				
At 1st April, 2003	8,927	32	7,150	16,109
Provided for the year	1,441	313	650	2,404
Eliminated on disposals	–	–	–	–
At 31st March, 2004	10,368	345	7,800	18,513
NET BOOK VALUES				
At 31st March, 2004	3,973	2,560	–	6,533
At 31st March, 2003	4,969	1,450	650	7,069

All of the Group's patents and licences were acquired from third parties.

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16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Unlisted shares, at cost	5,859	5,090
Unlisted shares, at carrying value	118,086	118,086
Amounts due from subsidiaries	53,920	48,473
	177,865	171,649

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment. In the opinion of the directors, the Company will not demand repayment within the next twelve months from the balance sheet date and, accordingly, the amounts are shown as non-current.

None of the subsidiaries had any debt securities outstanding at the balance sheet date or any time during the year.

Particulars of the Company's principal subsidiaries at 31st March, 2004 are as follows:

Name of subsidiary	Country/place of incorporation and operation	Nominal value of issued and fully paid share capital	Percentage of nominal value of issued share capital held directly by the Company	Principal activities
Automated Systems (H.K.) Limited	Hong Kong	HK\$2 Ordinary shares	100%	Investment holding, sale of computer products and provision of engineering and software services
		HK\$55,350,000 *Non-voting deferred shares	-	
ELM Computer Technologies Limited	Hong Kong	HK\$12,000,000 Ordinary shares	77%	Sale of computer products and provision of engineering and software services
CSA Automated (Macau) Limited	Macau	MOP10,000 Ordinary shares	100%	Sale of computer products and provision of engineering and software services

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Name of subsidiary	Country/place of incorporation and operation	Nominal value of issued and fully paid share capital	Percentage of nominal value of issued share capital held directly by the Company	Principal activities
ASL Automated (Thailand) Limited	Thailand	BHT31,500,000 Ordinary shares	100%	Sale of computer products and provision of engineering and software services
Express Success Limited	British Virgin Islands	US\$2 Ordinary shares	100%	Property holding
Express Returns Limited	British Virgin Islands	US\$2 Ordinary shares	100%	Property holding
Express Profits Development Limited	British Virgin Islands	US\$2 Ordinary shares	100%	Property holding

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

* *The non-voting deferred shares, which are not held by the Company, carry practically no rights to dividends nor to receive notice of nor to attend or vote at any general meeting of the company nor to participate in any distribution on winding up.*

17. INTERESTS IN ASSOCIATES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Share of net assets	194	389

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Particulars of the Group's associates at 31st March, 2004 are as follows:

Name of associate	Country/place of incorporation and operation	Percentage of nominal value of issued ordinary share capital held indirectly by the Company	Principal activities
ASL Automated Services (Thailand) Limited	Thailand	49%	Provision of engineering and software services
IN Systems (Macao) Limited	Macao	33.3%	Provision of engineering and software services

18. CLUB MEMBERSHIPS

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Club memberships, at cost	<u>900</u>	<u>900</u>	<u>500</u>	<u>500</u>

19. INVENTORIES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Goods held for resale	40,587	41,582
Goods held for customers' acceptance	47,366	36,833
Contracts in progress	5,591	23,561
	<u>93,544</u>	<u>101,976</u>

Included above are goods held for resale of HK\$7,746,000 (FY03: HK\$4,694,000) which are carried at net realisable value.

Goods held for resale and for customers' acceptance mainly represent computer equipment and software products. Contracts in progress mainly comprise costs of labour directly engaged in project development and installation contracts.

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20. 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:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	59,843	85,917
0 – 1 month	28,371	26,255
1 – 2 months	11,858	16,935
2 – 3 months	3,611	7,982
Over 3 months	13,414	5,157
	117,097	142,246
	117,097	142,246

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other debtors, deposits and prepayments	27,401	19,083	902	326
Amount due from immediate holding company	–	287	–	–
Amounts due from fellow subsidiaries	6,285	4,693	94	91
Amounts due from associates	462	606	–	10
	34,148	24,669	996	427
	34,148	24,669	996	427

The amounts due from immediate holding company, fellow subsidiaries and associates are unsecured, interest free and have no fixed terms of repayment.

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22. INVESTMENTS IN SECURITIES

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Listed shares overseas, at market value	21,814	56,293

Particulars of the listed shares held by the Group as at 31st March, 2004 are as follows:

Name of investee	Place of incorporation and operation	Percentage of nominal value of issued ordinary share capital held by the Group	Principal activities
Data Systems Consulting Company, Limited	Taiwan	3.8%	Sale of computer products and provision of engineering and software services

23. TRADE AND BILLS PAYABLES

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

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Current	104,633	128,147
0 – 1 month	33,436	26,981
1 – 2 months	13,242	6,479
2 – 3 months	4,045	1,794
Over 3 months	687	7,021
	156,043	170,422

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24. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other creditors and accruals	35,714	31,339	4,364	3,760
Amount due to ultimate holding company	1,679	899	–	–
Amount due to immediate holding company	70	–	728	533
Amounts due to fellow subsidiaries	9,422	5,081	–	–
Amounts due to related companies	–	969	–	–
	46,885	38,288	5,092	4,293

The amounts due to ultimate holding company, immediate holding company, fellow subsidiaries, and related companies are unsecured, interest free and have no fixed terms of repayment.

The above related companies are entities with common directors.

25. BANK BORROWINGS

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trust receipt loans	13,766	24,622
Bank loans	3,944	4,559
	17,710	29,181

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

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26. DEFERRED TAXATION

The following are the major deferred tax (assets) liabilities recognised by the Group and movements thereon during the current and preceding years:

	Accelerated tax depreciation <i>HK\$'000</i>	Deferred development costs <i>HK\$'000</i>	Patent, licence and prepayments <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st April, 2002					
– as originally stated	5,984	–	–	–	5,984
– prior period adjustment on adoption of SSAP 12 (Revised)	3,645	166	1,944	–	5,755
	<u>9,629</u>	<u>166</u>	<u>1,944</u>	<u>–</u>	<u>11,739</u>
– as restated	9,629	166	1,944	–	11,739
Charge to income statement for the year	(864)	(95)	(1,840)	–	(2,799)
	<u>8,765</u>	<u>71</u>	<u>104</u>	<u>–</u>	<u>8,940</u>
At 31st March, 2003	8,765	71	104	–	8,940
Charge to income statement for the year	235	(78)	(114)	(525)	(482)
Effect of change in tax rate	822	7	10	–	839
	<u>9,822</u>	<u>–</u>	<u>–</u>	<u>(525)</u>	<u>9,297</u>
At 31st March, 2004	<u><u>9,822</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>(525)</u></u>	<u><u>9,297</u></u>

For the purpose of balance sheet presentation, the deferred tax assets and liabilities have been offset.

At 31st March, 2004, the Group has unused tax losses of approximately HK\$6,640,000 (FY03: HK\$5,573,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$3,000,000 (FY03: nil) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK\$3,640,000 (FY03: HK\$5,573,000) due to the unpredictability of future profit streams.

At 31st March, 2004, the Company has unused tax losses of approximately HK\$1,434,000 (FY03: HK\$1,670,000). No deferred tax asset has been recognised due to the unpredictability of future profit streams.

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27. SHARE CAPITAL

	Number of shares		Amount	
	2004 '000	2003 '000	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each				
Authorised:				
At 1st April and 31st March	<u>600,000</u>	<u>600,000</u>	<u>60,000</u>	<u>60,000</u>
Issued and fully paid:				
At 1st April	290,910	288,830	29,091	28,883
Exercise of share options	644	80	64	8
Placing of new shares	<u>–</u>	<u>2,000</u>	<u>–</u>	<u>200</u>
At 31st March	<u>291,554</u>	<u>290,910</u>	<u>29,155</u>	<u>29,091</u>

The following changes in the Company's share capital took place:

- (a) During the year, the Company issued 644,000 ordinary shares of HK\$0.10 each at the subscription prices ranging from HK\$0.9 to HK\$1.34 per share (FY03: 80,000 ordinary shares of HK\$0.10 each at a subscription price of HK\$0.90 per share) under the share options scheme of the Company.
- (b) In FY03, the Company entered into a placing agreement in connection with a private placement to independent private investors of 2,000,000 new ordinary shares of HK\$0.10 each in the Company at a price of HK\$1.13 per share. The proceeds were used for general working capital purposes.

The new shares rank pari passu with the then existing shares in issue in all respects.

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28. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At 1st April, 2002	68,799	97,086	68	165,953
Exercise of share options	64	–	–	64
Placing of new shares	2,060	–	–	2,060
Shares issue expenses	(175)	–	–	(175)
Profit for the year	–	–	3,158	3,158
Final dividend for FY02 paid	–	(5,439)	(3,226)	(8,665)
Interim dividend for FY03 paid	–	(4,623)	–	(4,623)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2003	70,748	87,024	–	157,772
Exercise of share options	658	–	–	658
Profit for the year	–	–	8,053	8,053
Final dividend for FY03 paid	–	–	(4,655)	(4,655)
Interim dividend for FY04 paid	–	–	(2,915)	(2,915)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st March, 2004	<u>71,406</u>	<u>87,024</u>	<u>483</u>	<u>158,913</u>

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1997 amounting to HK\$97,086,000, as reduced by an aggregate amount of HK\$10,062,000 for distribution of dividend in 2003.

Under the Bermuda Companies Act 1981 (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

NOTES TO THE FINANCIAL STATEMENTS

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In the opinion of the directors, the Company's reserves available for distribution to shareholders at the balance sheet date were as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Contributed surplus	87,024	87,024
Accumulated profits	483	–
	87,507	87,024
	87,507	87,024

29. MAJOR NON-CASH TRANSACTION

In FY03, the Group acquired outsourcing contract computer equipment of HK\$607,000 and incurred outsourcing contract costs of HK\$1,213,000. The aggregate consideration of HK\$1,820,000 was unsettled and was included in other payables and accruals at 31st March, 2003.

30. OPERATING LEASE COMMITMENTS

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

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within one year	2,548	5,205
In the second to fifth year inclusive	1,314	1,144
	3,862	6,349
	3,862	6,349

Leases are negotiated for an average term of two years and rentals are fixed over the terms of the leases.

The Company did not have any significant operating lease commitment at the balance sheet date.

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31. CAPITAL COMMITMENTS

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment:		
Authorised but not contracted for	–	41
Contracted for but not provided	<u>1,263</u>	<u>2,400</u>
	<u>1,263</u>	<u>2,441</u>

The Company did not have any significant capital commitment at the balance sheet date.

32. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Counter indemnities given to banks in respect of guarantees issued by the banks to the Group's customers	29,301	21,912	–	–
Guarantees given to banks for banking facilities utilised by subsidiaries	–	–	5,355	52,501
Guarantee given to a supplier for goods supplied to certain subsidiaries of the Company	<u>–</u>	<u>–</u>	<u>52,962</u>	<u>52,962</u>
	<u>29,301</u>	<u>21,912</u>	<u>58,317</u>	<u>105,463</u>

NOTES TO THE FINANCIAL STATEMENTS

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33. SHARE OPTION SCHEMES

One of the Company's share option scheme (the "Scheme") were adopted on 16th October, 1997 for the purpose of providing incentives and rewards to any employee and/or director of the Company or any of its subsidiaries. The maximum number of shares in respect of which options may be granted to any individual under the Scheme shall not exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme. Options granted must be taken up within 28 days of the date of offer, upon payment of HK\$1 as consideration per grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of 80% of the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the options, and the nominal value of the shares.

Pursuant to the amendments to Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange which became effective from 1st September, 2001, any options granted after 1st September, 2001 must comply with the provisions of the revised Chapter 17. In order for the Company to be able to grant options to its director and/or other eligible participants after 1st September, 2001, the Scheme was terminated and a new share option scheme (the "New Scheme") was adopted pursuant to a resolution passed in the general meeting held on 8th August, 2002. As a result, the Company can no longer grant any further share option under the Scheme. However, all share options granted prior to 1st September, 2001 will remain in full force and effect.

Under the New Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The total number of shares in respect of which options may be granted under the New Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time. The total number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time. Options granted must be taken up within 28 days of the date of offer, upon payment of HK\$1 as consideration per grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (a) the closing price of the shares on the Stock Exchange on the date of grant; (b) the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the options; and (c) the nominal value of the shares. The New Scheme will expire on 7th August, 2012.

At 31st March, 2004, the number of shares in respect of which options had been granted under the Scheme and the New Scheme was 13,775,000 (FY03: 16,461,000), representing 4.7% (FY03: 5.7%) of the shares of the Company in issue at that date.

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The following table discloses details of the share options held by employees (including directors) under the Schemes and the New Scheme and movements in such holdings during the current and preceding years:

Date of grant	Number of shares to be issued upon exercise of share options					Exercise period	Exercise price HK\$
	Balance brought forward	Granted during the year	Exercised during the year	Cancelled during the year	Balance carried forward		
2004							
2.3.1999	1,410,000	-	(320,000)	-	1,090,000	3.3.2001 to 2.3.2009	0.90
19.10.1999	2,720,000	-	-	(380,000)	2,340,000	20.10.2001 to 19.10.2009	2.30
11.2.2000	2,745,000	-	-	(380,000)	2,365,000	12.2.2002 to 11.2.2010	3.35
30.6.2000	760,000	-	-	(60,000)	700,000	1.7.2002 to 30.6.2010	3.40
27.7.2001	3,050,000	-	-	(432,000)	2,618,000	27.7.2003 to 26.7.2011	2.40
20.11.2002	5,776,000	-	(324,000)	(790,000)	4,662,000	20.11.2003 to 19.11.2012	1.34
	<u>16,461,000</u>	<u>-</u>	<u>(644,000)</u>	<u>(2,042,000)</u>	<u>13,775,000</u>		
2003							
2.3.1999	1,490,000	-	(80,000)	-	1,410,000	3.3.2001 to 2.3.2009	0.90
19.10.1999	2,765,000	-	-	(45,000)	2,720,000	20.10.2001 to 19.10.2009	2.30
11.2.2000	2,800,000	-	-	(55,000)	2,745,000	12.2.2002 to 11.2.2010	3.35
30.6.2000	820,000	-	-	(60,000)	760,000	1.7.2002 to 30.6.2010	3.40
27.7.2001	3,160,000	-	-	(110,000)	3,050,000	27.7.2003 to 26.7.2011	2.40
20.11.2002	-	5,776,000	-	-	5,776,000	20.11.2003 to 19.11.2012	1.34
	<u>11,035,000</u>	<u>5,776,000</u>	<u>(80,000)</u>	<u>(270,000)</u>	<u>16,461,000</u>		

The market prices of the shares on the exercise dates was ranged from HK\$1.36 to HK\$1.88 (FY03: HK\$1.79).

Total consideration received during the year from employees for taking up the shares under the options amounted to HK\$722,160 (FY03: HK\$72,000).

No charge was recognised in the income statement in respect of the value of options granted in FY03.

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34. RETIREMENT BENEFIT SCHEMES

Defined contribution plans

The Group operates a defined contribution Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees. The MPF Scheme is established under the Mandatory Provident Fund Ordinance in December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group's contributions vest fully with the employees when contributed into the MPF Scheme.

Prior to the MPF Scheme becoming effective, the Group operated a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme"). This ORSO Scheme operated in a similar way to the MPF Scheme, except that where there were employees who left the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group were reduced by the amount of forfeited contributions. With effect from 1st December, 2001, the ORSO Scheme was suspended.

Defined benefit plan

The Company also operates a defined benefit plan for qualifying director of the Company. Under the plan, the director is entitled to retirement benefits based on 120% or 175.25% of final average salary multiplied by completed months of service on attainment of a retirement age of 60, or of age at least 50 with 25 years of services. The assets of the fund are held separately from those of the Company, in funds under the control of trustees. The scheme is non-contributory on the part of the directors and the Company is obliged to meet the full cost of all benefits due to the director under the plan.

The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation at 31st March, 2004 were carried out at 6th April, 2004 by Mr. Patrick Wong, Fellow of the Society of Actuaries. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method. The main actuarial assumptions used were as follows:

	2004	2003
Discount rate	5.5%	5.5%
Expected return on plan assets	7.0%	7.5%
Expected rate of salary increases	4.5%	4.5%

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The actuarial valuation showed that the market value of plan assets was HK\$1,990,000 (FY03: HK\$613,000) and the present value of the funded obligations was HK\$4,942,000 (FY03: HK\$4,280,000).

Prior to the adoption of SSAP 34 "Employee benefits" with effect from 1st April, 2002, the cost of providing retirement benefits under the plan was determined using a projected benefit valuation method based on an actuarial valuation report dated 30th April, 1998. The transitional liability of HK\$4,642,000 at 1st April, 2002 is recognised on a straight line basis over 5 years.

Amounts recognised in income statement during the year in respect of the defined benefit plan are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Current service cost	622	411
Interest cost	253	638
Expected return on plan assets	(80)	(208)
Transitional liability recognised	928	928
Net actuarial gain recognised in year	(93)	–
Administrative cost	2	2
	1,632	1,771

The charge for the year of HK\$1,632,000 (FY03: HK\$1,771,000) has been included in administrative expenses. In addition, a one-off special contribution of HK\$4,600,000 was paid by the Company pursuant to the early retirement of a director and was recognised in the income statement in FY03.

The actual return on plan assets was HK\$323,000 (FY03: HK\$20,000).

The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefit plan is as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Present value of funded obligations	4,942	4,280
Unrecognised actuarial gains	1,721	1,358
Unrecognised transitional liability	(2,786)	(3,714)
Fair value of plan assets	(1,990)	(613)
	1,887	1,311

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Movements in current liabilities for the year were as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
At 1st April	1,311	–
Amount charged to income statement	1,632	1,771
Contributions	<u>(1,056)</u>	<u>(460)</u>
At 31st March	<u><u>1,887</u></u>	<u><u>1,311</u></u>

35. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with its fellow subsidiaries:

Nature of transaction	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Sales by the Group	<i>(a)</i>	2,625	1,911
Purchases by the Group	<i>(a)</i>	1,295	1,318
Rentals received by the Group	<i>(b)</i>	182	144
Staff costs charged by the Group	<i>(c)</i>	8,221	1,190
Rentals and other expenses charged to the Group	<i>(c)</i>	<u><u>9,464</u></u>	<u><u>7,661</u></u>

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 rentals related to the letting of certain of the Group's properties to the fellow subsidiaries for office use. The monthly rental was determined by reference to market rates.
- (c) The staff costs, rentals and other expenses were charged at cost or at mutually agreed prices.