

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 Institute of Certified Public Accountants and with the applicable disclosure requirements of Appendix 16 of 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, 2004.

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:

	Unaudited		Unaudited	
	Three months ended		Six months ended	
	30th September,		30th September,	
	2004	2003	2004	2003
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Sales of goods	144,692	120,694	287,875	273,518
Revenue from service contracts	76,110	83,430	162,690	173,186
	<u>220,802</u>	<u>204,124</u>	<u>450,565</u>	<u>446,704</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

	Unaudited Three months ended 30th September, 2004		Unaudited Six months ended 30th September, 2004	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Profit from operations has been arrived at after charging:				
Depreciation and amortisation:				
Intangible assets (included in other costs of services and distribution costs)	356	578	716	1,539
Property, plant and equipment	8,916	8,728	17,680	16,923
Loss on disposal of property, plant and equipment	145	194	1,929	550
and after crediting:				
Interest income	425	394	703	966
Dividend income from listed securities	1,844	7,226	1,844	7,226
Gain on disposal of listed securities	—	2,815	—	2,815
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

5. Taxation

	Unaudited Three months ended 30th September, 2004		Unaudited Six months ended 30th September, 2004	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
The charge comprises:				
Hong Kong profits tax	576	—	835	—
Overseas taxation	317	294	344	294
Taxation attributable to the Company and its subsidiaries	<u>893</u>	<u>294</u>	<u>1,179</u>	<u>294</u>

Hong Kong profits tax is calculated at 17.5% (FY04: 17.5%) of the estimated assessable profits derived from Hong Kong for the three months and the six months ended 30th September, 2004. Overseas taxation is calculated at the rates prevailing in the respective jurisdictions.

6. Interim Dividend

The Directors have determined that the interim dividend of HK1.5 cent (FY04: HK1.0 cent) per share for the six months ended 30th September, 2004 should be paid to the shareholders of the Company whose names appear in the register of members on 14th December, 2004.

7. Earnings Per Share

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

	Unaudited Three months ended 30th September,		Unaudited Six months ended 30th September,	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Earnings for the purpose of basic earnings per share and diluted earnings per share	<u>7,710</u>	<u>8,328</u>	<u>10,139</u>	<u>2,682</u>
	Number of shares '000		Number of shares '000	
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>291,634</u>	290,943	<u>291,566</u>	290,927
Effect of dilutive share options	<u>276</u>	<u>606</u>	<u>296</u>	<u>514</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>291,910</u>	<u>291,549</u>	<u>291,862</u>	<u>291,441</u>

8. Movements in Property, Plant and Equipment

During the period, the Group spent HK\$15,403,000 on property, plant and equipment. The Group disposed of property, plant and equipment with an aggregate carrying amount of HK\$2,053,000 for proceeds of HK\$124,000, resulting in a loss on disposal of HK\$1,929,000.

The Group's leasehold land and buildings were stated at valuations 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, 2004 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:

	Unaudited 30th September, 2004 <i>HK\$'000</i>	Audited 31st March, 2004 <i>HK\$'000</i>
Current	69,913	59,843
Within 1 month	32,365	28,371
1-2 months	7,991	11,858
2-3 months	10,485	3,611
Over 3 months	10,675	13,414
	131,429	117,097

10. Trade and Bills Payables

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

	Unaudited 30th September, 2004 HK\$'000	Audited 31st March, 2004 HK\$'000
Current	62,769	104,633
Within 1 month	36,351	33,436
1-2 months	5,072	13,242
2-3 months	2,701	4,045
Over 3 months	7,552	687
	<u>114,445</u>	<u>156,043</u>

11. Bank Borrowings

	Unaudited 30th September, 2004 HK\$'000	Audited 31st March, 2004 HK\$'000
Trust receipt loans	10,219	13,766
Bank loans	5,624	3,944
	<u>15,843</u>	<u>17,710</u>

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

12. Capital Commitments

	Unaudited 30th September, 2004 HK\$'000	Audited 31st March, 2004 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>—</u>	<u>1,263</u>

13. Contingent Liabilities

	Unaudited 30th September, 2004 <i>HK\$'000</i>	Audited 31st March, 2004 <i>HK\$'000</i>
Counter indemnities given to banks in respect of guarantees issued by the banks to the Group's customers	<u>16,549</u>	<u>29,301</u>

14. Related Party Transactions

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

Nature of transaction	<i>Notes</i>	Unaudited Six months ended 30th September,	
		2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Sales by the Group	(a)	<u>3,062</u>	1,497
Purchases by the Group	(a)	<u>1,966</u>	155
Rentals received by the Group	(b)	<u>119</u>	60
Staff costs charged by the Group	(c)	<u>3,291</u>	242
Rentals and other expenses charged to the Group	(c)	<u>6,220</u>	<u>82</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 by reference 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, rentals and other expenses were charged at cost or at mutually agreed prices.