INFORMATION
FOR U.S. INVESTORS

The Group's financial statements are prepared in accordance with generally accepted accounting principles applicable in Hong Kong (HKGAAP), which differ in certain significant respects from accounting principles generally accepted in the United States (USGAAP). Differences between HKGAAP and USGAAP which have significant effects on the profit attributable to shareholders (net income) and shareholders' funds (shareholders' equity) of the Group are summarised as follows:

		Year ended 31st August		
		2004	2003	2002
	Note	**HK$'000**	HK$'000	HK$'000
			As restated (note a)	As restated (note a)
Profit attributable to shareholders (net income)				
As stated under HKGAAP		**49,550**	257,743	90,505
USGAAP adjustments:				
Compensation benefit cost associated with share options	(a)	**270**	2,731	(21,586)
Amortisation of goodwill (acquired prior to 30th June 2001)	(b)	**–**	–	(1,019)
Reversal of amortisation of goodwill (acquired after 30th June 2001)	(b)	**1,065**	1,065	1,065
Fair value of interest rate swap	(e)	**680**	–	–
Profit attributable to shareholders (net income) under USGAAP		**51,565**	261,539	68,965
Profit from continuing operations (less taxation 2004: HK$2,043,000, 2003: HK$17,857,000, 2002: HK$15,186,000)		**51,565**	264,151	69,317
Profit/(loss) from discontinued operations (less taxation 2004: Nil, 2003: Nil, 2002: HK$4,000)	(d)	**–**	83	(352)
Loss arising from disposal of discontinued operations	(d)	**–**	(2,695)	–
Profit attributable to shareholders (net income) under USGAAP		**51,565**	261,539	68,965

Note a: Restatements were made in order to reflect retrospective adjustments of deferred taxation under the requirements of revised SSAP 12, "Income Taxes".

		Year ended 31st August		
		2004	2003	2002
	Note	**HK$'000**	HK$'000	HK$'000
Earnings/(loss) per share under USGAAP				
Basic:				
Continuing operations		**HK$8.5 cents**	HK$47.8 cents	HK$14.0 cents
Discontinued operations	(d)	**–**	HK$(0.5) cents	HK$(0.1) cents
Total		**HK$8.5 cents**	HK$47.3 cents	HK$13.9 cents
Diluted:				
Continuing operations		**HK$8.4 cents**	HK$42.9 cents	HK$12.2 cents
Discontinued operations	(d)	**–**	HK$(0.4) cents	HK$(0.1) cents
Total		**HK$8.4 cents**	HK$42.5 cents	HK$12.1 cents

Shareholders' funds (shareholders' equity)

		31st August	
		2004	2003
		HK$'000	HK$'000
			As restated (note a)
As stated under HKGAAP		**1,175,698**	1,179,175
USGAAP adjustments:			
Goodwill	(b)	**5,092**	5,092
Accumulated amortisation of goodwill	(b)	**(3,735)**	(3,735)
Reversal of amortisation of goodwill	(b)	**3,195**	2,130
Fair value of interest rate swap	(e)	**680**	–
Shareholders' funds (shareholders' equity) under USGAAP		**1,180,930**	1,182,662

Note a: Restatements were made in order to reflect retrospective adjustments of deferred taxation under the requirements of revised SSAP 12, "Income Taxes"

(a) Compensation cost for share options

Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and related interpretations have been applied in the computation of the compensation cost for the outstanding share options granted to the Group's employees.

Under HKGAAP, no compensation cost for staff is required to be recognised in respect of the grant of share options. Proceeds from issue of shares upon the exercise of share options are credited to share capital and share premium account respectively at the time of exercise of the options and there is no effect on the results of the Company in connection with any share option schemes.

On 19th September 1997, the Company issued 1,500,000 options to certain executive directors of the Group at an exercise price fixed at HK$1.20. The difference of HK$0.30 per share between the exercise price of HK$1.20 and the market value of the shares on 19th September 1997 of HK$1.50 was being amortised to the statements of income over the vesting period of the options of three years up to 18th September 2000. Pursuant to a board resolution passed on 20th October 2000, the options were cancelled and on the same date, 1,500,000 options were issued to the same executive directors at an exercise price fixed at HK$0.58 per share. Due to this repricing arrangement, the 1,500,000 options have been accounted for as variable options since that date in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation", an interpretation of APB 25. Compensation expense is recognised based on the difference between the exercise price of HK$0.58 and the Company's share price at the date on which they are exercised or at each balance sheet date if they are still outstanding.

Pursuant to a board resolution passed on 20th October 2000, 20,908,000 options out of 21,030,000 options granted to certain employees including three executive directors on 2nd June 2000 at an exercise price of HK$1.50 were cancelled. On the same date, 20,908,000 new options were issued to the same employees including the three executive directors at an exercise price fixed at HK$0.58. Because of this repricing arrangement, these options have been accounted for as variable options and compensation expense is recognised based on the difference between the exercise price of HK$0.58 and the Company's share price at the date on which they are exercised or recalculated at each balance sheet date if they are still outstanding and amortised to the profit and loss account over the vesting period of the options. All options were fully vested as of 31st August 2003 and 2004. A charge was recorded in 2003 and 2004 in calculating the final cost amount associated with options that were exercised during the year.

(b) Goodwill

Prior to 1st September 2001, under HKGAAP the Group charged goodwill on acquisition of a business, which represents the excess of the cost of investment over the fair value ascribed to the identifiable net underlying assets acquired, against available reserves. In accordance with the change in accounting standards in Hong Kong, goodwill on acquisitions occurring on or after 1st September 2001 is shown separately on the consolidated balance sheet and is amortised using the straight-line method over its estimated useful life (see Note 1(c) of the notes to the accounts). Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a period of 5 years. The Group has taken advantage of the transitional provisions of SSAP 30 "Business combinations" and goodwill previously written off against reserves has not been restated. Where an indication of impairment exists, the carrying amount of goodwill, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount with the charges being recorded in the Group's profit and loss accounts.

Under USGAAP, goodwill recorded on the acquisition of a business prior to 30th June 2001 was capitalised and amortised to the profit and loss accounts over its expected useful life of five years. In June 2001, FASB issued the Statement of Financial Accounting Standard ("SFAS") No. 142 "Goodwill and Other Intangible Assets" effective for fiscal years beginning after 15th December 2001. In connection with the adoption of this standard in fiscal 2003 under USGAAP, the Group ceased amortizing goodwill recognised on business combinations initiated prior to 30th June 2001 and performed a transitional goodwill impairment assessment. Goodwill recognised on business combinations initiated after 30th June 2001, is not amortised under SFAS No. 142 and is required to be tested annually for impairment in accordance with the provisions of SFAS No.142. The Group has performed the transitional goodwill impairment tests on the goodwill recorded prior to and after 30th June 2001 and no impairment loss was identified. The Group has also performed the impairment tests on the goodwill recorded prior to and after 30th June 2001 at the fiscal year end. No impairment loss was identified from the process for fiscal year 2004.

(c) Deferred taxes

Until 31st August 2003, under HKGAAP, deferred taxation is accounted for at the current taxation rate with respect to timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or receivable in the foreseeable future. In determining whether a liability is expected to be payable in the foreseeable future the Group assesses the effect of its capital expenditures and other plans. If these plans indicate that sufficient accelerated depreciation allowances will be available to offset the effect of the reversal of timing differences, a deferred tax liability is not established for such timing differences, in accordance with the requirements of HKGAAP.

With effect from 1st September 2003, in order to comply with SSAP 12 (revised) issued by the HKICPA, the Group adopted a new accounting policy for deferred tax as follow:

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The new accounting policy has been adopted retrospectively.

Under USGAAP, the Group is required to recognise deferred tax assets and liabilities for the expected future tax consequences of all events that have been included in the accounts or tax returns. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the financial reporting basis and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Future tax benefits in respect of tax losses carry forward are also required to be recognised in full. A valuation allowance is required to be established for such assets if it is more likely than not that the Group will not be able to utilise such benefits in the future.

As a result of the adoption of SSAP 12 (revised), there are no longer any differences arising from the recognition of deferred tax under HKGAAP (based on the restated financial information) and USGAAP.

(d) Discontinued operations

The discontinued operations of the Group for fiscal years 2002 and 2003 included the operating loss of approximately HK$352,000 and operating profit of approximately HK$83,000 respectively of the subsidiary operating in Japan. Under HKGAAP, presentation of continuing and discontinued operations is not required to be disclosed on the face of the profit and loss account, while under USGAAP, profit or loss from discontinued operations would be shown on a separate line in the profit and loss accounts below income from continuing operations.

(e) Interest rate swap

In connection with the drawdown of the long term bank loan of HK$100 million in fiscal year 2004, the Group engages in an interest rate swap agreement to hedge the impact of fluctuations in interest rates. Under HKGAAP, there are no specific accounting standards governing the accounting for derivative instruments. As a result, the Group does not recognize the interest rate swap at fair value and does not account for the gains or losses relating to the fair value changes in this derivative. Interest income or expenses arising from the interest rate swap contracts are netted off against the related interest income or expenses applicable to the bank loan.

Under USGAAP, the Group adopted SFAS No. 133 “Accounting for Derivative Instruments and Hedge Activities”, as amended by SFAS No. 138 “Accounting for Certain Derivative Instruments and Certain Hedging Activities”, which requires all financial instruments and derivatives be recognised on the balance sheet at fair value. The accounting for changes in fair value depends on whether the derivative instrument is designated and qualifies as a hedging relationship. For derivative not designated as hedging instrument, the gain or loss is recognised in earnings in the period of change. Since the interest rate swap is not designated as a hedge, the gain or loss on this derivative instrument is recognised currently in earnings.

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