NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2005

1. BASIS OF PREPARATION

The 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 with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the HKICPA.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost basis except for investment properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended December 31, 2004, except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after January 1, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an material effect on how the results for the current or prior accounting periods are prepared and presented.

(a) Business combinations

In the current period, the Group has applied HKFRS 3 *Business combinations* and the principal effects of the application of HKFRS 3 to the Group are summarised below:

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to January 1, 2001 was held in reserves. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill at January 1, 2005, which was previously recorded in reserves, with a corresponding increase to retained profits. As a result of the adoption of HKFRS 3, the retained profits of the Group at January 1, 2005 was increased by HK$117,390,000. Reserve on consolidation of the Group was reduced by HK$117,390,000.

2. PRINCIPAL ACCOUNTING POLICIES - *Continued*

(b) *Financial instruments*

In the current period, the Group has applied HKAS 32 *Financial instruments: disclosure and presentation* and HKAS 39 *Financial instruments: recognition and measurement*. HKAS 32 requires retrospective application. The adoption of HKAS 32 has had no impact on the presentation of financial instruments in the consolidated financial statements. HKAS 39, which is effective for annual periods beginning on or after January 1, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

(i) Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By December 31, 2004, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "trading securities", "non-trading securities" or "held-to-maturity investments" as appropriate. Both "trading securities" and "non-trading securities" are measured at fair value. Unrealised gains or losses of "trading securities" are reported in the profit or loss for the period in which gains or losses arise. Unrealised gains or losses of "non-trading securities" are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for that period. From January 1, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively, except for those investments in equity securities that do not have a quoted market price in an active market. Such equity investments are carried at cost less impairment as their fair value cannot be reliably measured. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

On January 1, 2005, the Group reclassified its "investment in securities" as "available-for-sale investments" in accordance with HKAS 39 which are carried at fair value or at cost.

2. PRINCIPAL ACCOUNTING POLICIES - *Continued*

(ii) Financial assets and financial liabilities other than debt and equity securities

From January 1, 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilites" are carried at amortised cost using the effective interest method. This change in accounting policy has had no impact on the results for the current period.

(iii) Derivatives and hedging

From January 1, 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair value would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

The Group has not recognised the derivative financial instruments on the balance sheet prior to January 1, 2005. The Group has applied the relevant transitional provisions in HKAS 39. On January 1, 2005, the Group recognised the fair value of the foreign currency forward contracts deemed as held-for-trading, amounting to HK$685,000, on the balance sheet and a corresponding adjustment to the Group's retained earnings. The profit for the current period has been decreased by HK$1,282,000.

(c) Owner-occupied leasehold interest in land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 *Leases*. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are classified to prepaid lease payments under operating leases, which are carried at cost and amortised on a straight-line basis. As the Group cannot allocate between the land and buildings elements reliably, the leasehold interests in land continue to be accounted for as finance leases and included in property, plant and equipment.

2. PRINCIPAL ACCOUNTING POLICIES - *Continued*

(d) Investment properties

In the current period, the Group has, for the first time, applied HKAS 40 *Investment property*. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In pervious periods, investment properties under the predecessor accounting standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had perviously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease perviously charged. The adoption of HKAS 40 had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

(e) Deferred taxes related to investment properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HKAS Interpretation 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. The adoption of HKAS Interpretation 21 had no material effects on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new accounting standards or Interpretations that have been issued by HKICPA but are not yet effective for the accounting periods beginning on or after January 1, 2005. The directors of the Company anticipate that the application of these standards or Interpretations will have no material impact on the financial statements of the Group.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS - Int 4	Determining whether an Arrangement Contains a Lease
HKFRS - Int 5	Rights to Interests Arising From Decommissioning, Restoration and Environmental Rehabilitation Funds

3. SEGMENTAL INFORMATION

Geographical Segments

The Group's primary format for reporting segment information is geographical segments.

For the six months ended June 30, 2005 (Unaudited)

	Hong Kong and the People's Republic of China (the "PRC") HK$'000	Singapore HK$'000	Malaysia HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER						
External sales	**988,226**	**537,310**	**117,005**	**2,243**	**–**	**1,644,784**
Inter-segment sales	**2,762**	**2,027**	**–**	**–**	**(4,789)**	**–**
Total turnover	**990,988**	**539,337**	**117,005**	**2,243**	**(4,789)**	**1,644,784**
SEGMENT RESULT	**23,966**	**14,176**	**288**	**232**	**–**	**38,662**
Unallocated corporate income						**48**
Interest income						**1,992**
Impairment loss recognised in respect of deferred consideration on partial disposal of a subsidiary		**(17,000)**				**(17,000)**
Impairment losses recognised in respect of available for sale investments		**(200)**				**(200)**
Gain on disposal of available for sale investments/investments in securities	**40**	**5,243**				**5,283**
Share of results of associates						**2,766**
Finance costs						**(2,001)**
Profit before taxation						**29,550**

Inter-segment sales are charged at prevailing market prices or where no market price is available, at cost plus a percentage mark-up.

3. SEGMENTAL INFORMATION - *Continued*

Geographical Segments - continued

For the six months ended June 30, 2004 (Unaudited)

	Hong Kong and the PRC HK$'000	Singapore HK$'000	Malaysia HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER						
External sales	908,475	362,647	97,047	5,362	–	1,373,531
Inter-segment sales	2,082	11	–	–	(2,093)	–
Total turnover	910,557	362,658	97,047	5,362	(2,093)	1,373,531
SEGMENT RESULT	14,845	(6,552)	(9,048)	(76)	–	(831)
Unallocated corporate expenses						(2,632)
Interest income						853
Impairment losses recognised in respect of investments in securities		(1,537)				(1,537)
Loss on disposal of investments in securities	(174)					(174)
Gain on partial disposal of an associate						10,304
Gain on deemed disposal of an associate						6,045
Share of results of associates						3,281
Finance costs						(1,482)
Profit before taxation						13,827

Inter-segment sales are charged at prevailing market prices or where no market price is available, at cost plus a percentage mark-up.

Business Segments

The Group's principal activities are distribution of computer products and investment holdings. No business segment analysis is presented as turnover and segment results from investment holdings segment are not material.

4. IMPAIRMENT LOSS RECOGNISED IN RESPECT OF DEFERRED CONSIDERATION ON PARTIAL DISPOSAL OF A SUBSIDIARY

During the period, the Group has reviewed the recoverability of the deferred consideration arising on partial disposal of a subsidiary in previous year. An impairment loss of HK$17,000,000 has been recognised in the income statement which is determined by reference to the market price of the pledged shares.

5. PROFIT BEFORE TAXATION

	For the six months ended June 30,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation and amortisation	**1,218**	1,035
Allowance for doubtful debts	**2,165**	21,624
Interest income	**(1,992)**	(853)
Unrealised gain in fair value of derivative financial instruments	**(597)**	–

6. TAXATION

	For the six months ended June 30,	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax:		
Hong Kong	**3,450**	3,008
Other jurisdictions	**2,695**	60
Overprovision for prior periods:		
Hong Kong	**–**	(1,728)
Other jurisdictions	**(61)**	(783)
Deferred tax	**–**	145
Income tax expense	**6,084**	702

Hong Kong Profits Tax is calculated at 17.5% (Six months ended June 30, 2004: 17.5%) of the estimated assessable profit for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. DIVIDEND

On May 31, 2005, a dividend of 2 cents per share, totalling HK$5,371,000 (Six months ended June 30, 2004: HK$5,371,000) was paid to shareholders as the final dividend for the year ended December 31, 2004.

The directors do not recommend the payment of an interim dividend for the six months ended June 30, 2005 (six months ended June 30, 2004: Nil)

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's unaudited profit attributable to shareholders of the Company for the six months ended June 30, 2005 of HK$23,334,000 (Six months ended June 30, 2004: HK$13,045,000) and 268,550,000 (Six months ended June 30, 2004: 268,550,000) ordinary shares in issue during the period.

No diluted earnings per share is presented as the Company has no potential ordinary shares outstanding for the current and prior periods.

9. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$731,000 on acquisition of plant and equipment.

At June 30, 2005, the directors have considered the carrying amount of the Group's investment properties carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

10. TRADE AND OTHER RECEIVABLES

The Group maintained a defined credit policy. For sales of goods, the Group allows an average credit period of 30 – 60 days to its trade customers. Service income receivable from customers are payable on presentation of invoices.

The following is an aged analysis of trade receivables at the balance sheet date:

	June 30, 2005 (Unaudited) HK$'000	December 31, 2004 (Audited) HK$'000
Within 30 days	**331,934**	357,453
31 to 90 days	**65,480**	42,490
91 to 120 days	**3,682**	5,072
Over 120 days	**10,527**	16,177
Trade receivables	**411,623**	421,192
Other receivables	**40,567**	49,242
	452,190	470,434

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	June 30, 2005 (Unaudited) HK$'000	December 31, 2004 (Audited) HK$'000
Within 30 days	**244,171**	242,573
31 to 90 days	**40,792**	14,650
91 to 120 days	**8,116**	450
Over 120 days	**15,757**	15,708
Trade payables	**308,836**	273,381
Other payables	**120,874**	119,954
	429,710	393,335

12. BILLS PAYABLE

The aged analysis of bills payable as at June 30, 2005 and December 31, 2004 are both within 90 days.

13. BORROWINGS

	June 30, 2005 (Unaudited) HK$'000	December 31, 2004 (Audited) HK$'000
Bank overdrafts	**8,169**	1,418
Bank loans	**43,935**	71,277
Other borrowings	**–**	432
	52,104	73,127
Secured	**39,315**	54,929
Unsecured	**12,789**	18,198
	52,104	73,127

13. BORROWINGS - *Continued*

The maturity of the above loans and overdrafts is as follows:

	June 30, 2005 (Unaudited) HK$'000	December 31, 2004 (Audited) HK$'000
On demand or within one year	**44,604**	51,877
More than one year but not exceeding two years	**2,500**	2,500
More than two years but not exceeding five years	**5,000**	7,500
More than five years	**–**	11,250
	52,104	73,127
Less: Amount due within one year shown under current liabilities	**(44,604)**	(51,877)
	7,500	21,250

14. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At June 30, 2005 and December 31, 2004	350,000	35,000
Issued and fully paid:		
At June 30, 2005 and December 31, 2004	268,550	26,855

15. PLEDGE OF ASSETS

At June 30, 2005, the Group had pledged certain of its properties and deposits with carrying value of HK$62,614,000 (December 31, 2004: HK$62,315,000) to banks to secure general banking facilities granted to the Group and are analysed as follows:

	June 30, 2005 (Unaudited) HK$'000	December 31, 2004 (Audited) HK$'000
Investments properties	**45,800**	45,800
Pledged bank deposits	**16,814**	16,515
	62,614	62,315

16. CAPITAL COMMITMENTS

	June 30, 2005 (Unaudited) HK$'000	December 31, 2004 (Audited) HK$'000
Capital expenditure contracted but no provided for in respect of the acquisition of property, plant and equipment	**164**	164

17. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following material transactions with its related parties:

	For the six months ended June 30,	
	2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'000
Sales of goods	**2,779**	1,003
Purchases of goods	**886**	–
Operating lease rentals paid and payable	**3,063**	1,893
Interest paid	**5**	–

The directors of the Company, directly or indirectly, hold beneficial interests in those related companies. Details of the Group's trade balances with the related parties at the balance sheet date are disclosed in the condensed consolidated balance sheet.