

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2002

### 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA") 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.

### 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2001, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the HKSA. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

#### Foreign currencies

The revisions to SSAP 11 "Foreign currency translation" have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group's 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. This change in accounting policy has not had any significant effect on the results for the current or prior accounting periods.

#### Cash flow statements

In the current period, the Group has adopted SSAP 15 (Revised) "Cash flow statements". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified on a consistent basis under either operating, investing or financing activities. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. Cash flows of overseas operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

**3. SEGMENTAL INFORMATION****Geographical Segments**

For the six months ended June 30, 2002 (Unaudited)

	Hong Kong and the People's Republic of China (the "PRC") HK\$'000	Singapore HK\$'000	Malaysia HK\$'000	Thailand HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE							
External sales	837,103	369,602	191,745	322,046	9,943	-	1,730,459
Inter-segment sales	10,046	631	24	-	-	(10,701)	-
Total revenue	847,149	370,233	191,769	322,046	9,943	(10,701)	1,730,459
SEGMENT RESULT	12,946	547	104	5,688	32	-	19,317
Interest income							1,256
Impairment losses recognised on investments in securities							(1,018)
Gain on disposal of investments in securities							33
Unallocated corporate expenses							(4,625)
Profit from operations							14,963

For the six months ended June 30, 2001 (Unaudited)

	Hong Kong and the PRC HK\$'000	Singapore HK\$'000	Malaysia HK\$'000	Thailand HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE							
External sales	1,242,479	387,589	172,729	278,757	10,220	-	2,091,774
Inter-segment sales	3,208	4,731	1,032	-	-	(8,971)	-
Total revenue	1,245,687	392,320	173,761	278,757	10,220	(8,971)	2,091,774
SEGMENT RESULT	13,391	1,634	2,028	7,391	53	-	24,497
Interest income							2,974
Impairment losses recognised on investments in securities							(2,802)
Loss on disposal of investments in securities							(158)
Unallocated corporate expenses							(4,726)
Profit from operations							19,785

### 3. SEGMENTAL INFORMATION – Continued

#### Business Segments

For the six months ended June 30, 2002 (Unaudited)

	Distribution of computer products HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE				
External sales	1,723,795	6,644	–	1,730,439
Inter-segment sales	2	14,109	(14,111)	–
Total revenue	1,723,797	20,753	(14,111)	1,730,439
SEGMENT RESULT	18,093	1,224	–	19,317
Interest income				1,256
Impairment losses recognised on investments in securities				(1,018)
Gain on disposal of investments in securities				33
Unallocated corporate expenses				(4,625)
Profit from operations				14,963

For the six months ended June 30, 2001 (Unaudited)

	Distribution of computer products HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE				
External sales	2,084,199	7,575	–	2,091,774
Inter-segment sales	120	8,019	(8,139)	–
Total revenue	2,084,319	15,594	(8,139)	2,091,774
SEGMENT RESULT	28,060	(3,563)	–	24,497
Interest income				2,974
Impairment losses recognised on investments in securities				(2,802)
Loss on disposal of investments in securities				(158)
Unallocated corporate expenses				(4,726)
Profit from operations				19,785

#### 4. RELEASE OF PROVISION FOR MANAGEMENT FEE AND INTEREST

In the last period, the Group has reached a settlement agreement with an independent third party on its non-payment of the balance of the purchase consideration of a Group's subsidiary. Accordingly, in the opinion of the Directors, the accrued management fee and interest payable to that third party made in prior years are no longer required and are released to the income statement.

#### 5. PROFIT FROM OPERATIONS

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2002</b>	2001
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Depreciation	<b>3,980</b>	4,039
Interest income	<b>(1,256)</b>	(2,974)
Allowance for doubtful debts	<b>985</b>	21,360

#### 6. IMPAIRMENT LOSSES RECOGNISED IN RESPECT OF SUBSIDIARIES AND ASSOCIATES

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2002</b>	2001
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Impairment losses recognised on goodwill arising from acquisition of subsidiaries	-	(200)
Impairment losses recognised on goodwill arising from acquisition of associates	-	(1,774)
	-	(1,974)

**7. TAXATION**

	<b>For the six months ended June 30,</b>	
	<b>2002</b>	2001
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
The charge comprises:		
Profits Tax for the period		
Hong Kong	<b>2,004</b>	3,238
Overseas	<b>2,535</b>	3,198
Profits Tax for prior periods		
Overseas	<b>(57)</b>	6
Taxation attributable to the Company and its subsidiaries	<b>4,482</b>	6,442
Share of taxation attributable to associates	<b>107</b>	142
Taxation charge for the period	<b>4,589</b>	6,584

Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profit for the period.

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

**8. DIVIDEND**

	<b>For the six months ended June 30,</b>	
	<b>2002</b>	2001
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Final dividend paid in respect of the year ended		
December 31, 2001 of 3 cents (year ended		
December 31, 2000: 2 cents) per ordinary share	<b>8,056</b>	5,361

The directors have not recommended the payment of any interim dividend (2001: Nil).

## 9. EARNINGS PER SHARE

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

	<b>For the six months ended June 30,</b>	
	<b>2002</b>	2001
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Earnings for the purposes of basic earnings per share		
and diluted earnings per share	<b>6,773</b>	7,149
	<b>Number of shares</b>	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	268,174	268,050
Effect of dilutive potential ordinary shares:		
Options	1,158	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	269,332	268,050

## 10. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately Nil and HK\$629,000 (for the six months ended June 30, 2001: HK\$2,000,000 and HK\$3,897,000) on addition of investment properties and property, plant and equipment respectively.

At June 30, 2002, the Directors estimated that the carrying amounts of the Group's investment properties 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.

**11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

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:

	<b>June 30, 2002 (Unaudited) HK\$'000</b>	December 31, 2001 (Audited) HK\$'000
Within 30 days	<b>330,380</b>	371,339
31 to 90 days	<b>82,899</b>	98,463
91 to 120 days	<b>10,464</b>	12,971
Over 120 days	<b>25,528</b>	20,755
Trade receivables	<b>449,271</b>	503,528
Deposits, prepayments and other receivables	<b>26,705</b>	39,526
	<b>475,976</b>	543,054

**12. TRADE AND OTHER PAYABLES**

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

	<b>June 30, 2002 (Unaudited) HK\$'000</b>	December 31, 2001 (Audited) HK\$'000
Within 30 days	<b>300,030</b>	353,549
31 to 90 days	<b>78,350</b>	69,778
91 to 120 days	<b>5,638</b>	1,102
Over 120 days	<b>7,231</b>	8,821
Trade payables	<b>391,249</b>	433,250
Accruals and other payables	<b>97,880</b>	103,807
	<b>489,129</b>	537,057

**13. BILLS PAYABLE**

The following is an aged analysis of bills payable at the balance sheet date:

	<b>June 30, 2002 (Unaudited) HK\$'000</b>	December 31, 2001 (Audited) HK\$'000
Within 90 days	<b>63,059</b>	48,287
91 to 120 days	<b>3,023</b>	—
	<b>66,082</b>	48,287

**14. BORROWINGS**

	<b>June 30, 2002 (Unaudited) HK\$'000</b>	December 31, 2001 (Audited) HK\$'000
Bank overdrafts	<b>18,738</b>	19,768
Bank loans	<b>52,022</b>	43,611
Other loans	<b>13,059</b>	7,520
	<b>83,819</b>	70,899
Secured	<b>35,069</b>	24,057
Unsecured	<b>48,750</b>	46,842
	<b>83,819</b>	70,899

The above overdrafts and loans are repayable within one year.

**15. SHARE CAPITAL**

	<b>Number of shares '000</b>	<b>Amount HK\$'000</b>
Ordinary shares of HK\$0.10 each		
Authorised:		
At June 30, 2002 and December 31, 2001	350,000	35,000
Issued and fully paid:		
At January 1, 2002	268,050	26,805
Exercise of share options	500	50
At June 30, 2002	268,550	26,855



## 16. SHARE PREMIUM AND RESERVES

	Share premium	Investment property revaluation reserve	Investments revaluation reserve	Translation reserve	Statutory reserve	Reserve on consolidation	Contributed surplus	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At January 1, 2001	52,694	11,228	(24,774)	(4,316)	919	116,167	2,860	204,372	359,150
Revaluation decrease	-	-	(4,681)	-	-	-	-	-	(4,681)
Exchange realignment	-	-	-	(2,426)	-	-	-	-	(2,426)
Realised on impairment of investments in securities	-	-	2,802	-	-	-	-	-	2,802
Release on impairment of:									
– subsidiaries	-	-	-	-	-	200	-	-	200
– associates	-	-	-	52	-	1,774	-	-	1,826
Net gains and losses not recognised in the income statement	-	-	(1,879)	(2,374)	-	1,974	-	-	(2,279)
Profit for the period	-	-	-	-	-	-	-	7,149	7,149
Realised on disposals	-	-	239	-	-	-	-	-	239
Dividend paid (note 8)	-	-	-	-	-	-	-	(5,361)	(5,361)
At June 30, 2001	52,694	11,228	(26,414)	(6,690)	919	118,141	2,860	206,160	358,898
At January 1, 2002	52,694	1,823	-	(6,575)	919	118,141	2,860	213,595	383,457
Exchange realignment and not recognised in the income statement	-	-	-	2,077	-	-	-	-	2,077
Profit for the period	-	-	-	-	-	-	-	6,773	6,773
Dividend paid (note 8)	-	-	-	-	-	-	-	(8,056)	(8,056)
Shares issued at premium	140	-	-	-	-	-	-	-	140
At June 30, 2002	52,834	1,823	-	(4,498)	919	118,141	2,860	212,312	384,391