

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2004

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 HKICPA 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 (the "Stock Exchange").

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, 2003.

3. SEGMENTAL INFORMATION**Geographical Segments**

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

For the six months ended June 30, 2004 (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	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)
Interest income						853
Impairment losses recognised in respect of investments in securities						(1,537)
Loss on disposal of investments in securities						(174)
Unallocated corporate expenses						(2,632)
Loss from operations						(4,321)

3. SEGMENTAL INFORMATION (Continued)

Geographical Segments (Continued)

For the six months ended June 30, 2003 (Unaudited)

	Hong Kong and the PRC	Singapore	Malaysia	Thailand	Others	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover							
External sales	824,343	255,078	116,755	456,240	48,115	–	1,700,531
Inter-segment sales	87	4,203	–	–	–	(4,290)	–
Total turnover	824,430	259,281	116,755	456,240	48,115	(4,290)	1,700,531
SEGMENT RESULT	12,524	(1,864)	(117)	8,509	(37)	–	19,015
Interest income							1,095
Gain on disposal of investments in securities							758
Unallocated corporate expenses							(4,101)
Profit from operations							16,767

Business Segments

The Group's sole principal activity is the distribution of computer products. No business segment analysis is presented.

4. (LOSS) PROFIT FROM OPERATIONS**For the six months ended****June 30,**

2004	2003
(Unaudited)	(Unaudited)
HK\$'000	HK\$'000

(Loss) profit from operations has been arrived at after charging (crediting):

Depreciation and amortisation	1,035	2,489
Allowance for doubtful debts	21,624	7,202
Loss (gain) on disposal of investments in securities	174	(758)
Interest income	(853)	(1,095)

5. GAIN ON PARTIAL DISPOSAL OF AN ASSOCIATE

During the period, the Group disposed of 11.5% equity interest in an associate for a consideration of approximately HK\$14,246,000, resulting in a gain of HK\$10,304,000 which had been credited to the income statement.

6. GAIN ON DEEMED DISPOSAL OF AN ASSOCIATE

During the period, the Group's interest in an associate had been diluted from 37.5% to 29.5% as a result of the placing of new shares of the associate, resulting in a gain of HK\$6,045,000 which had been credited to the income statement.

7. TAXATION

	For the six months ended June 30,	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
The charge comprises:		
Profits Tax for the period		
Hong Kong	3,008	3,560
Overseas	60	1,900
Profits Tax for prior periods		
Hong Kong	(1,728)	—
Overseas	(783)	318
Deferred tax	145	(371)
Taxation attributable to the Company and its subsidiaries	702	5,407
Share of taxation attributable to associates	1,257	105
Taxation charge for the period	1,959	5,512

Hong Kong Profits Tax is calculated at 17.5% (Six months ended June 30, 2003: 17.5%) of the estimated assessable profit for the period.

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

8. DIVIDEND

On April 8, 2004, a dividend of 2 cents per share, totalling HK\$5,371,000 (Six months ended June 30, 2003: HK\$5,371,000) was paid to shareholders as the final dividend for the year ended December 31, 2003.

The directors do not recommended the payment of any interim dividend for the six months ended June 30, 2004 (Six months ended June 30, 2003: Nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's unaudited profit for the six months ended June 30, 2004 of HK\$13,045,000 (Six months ended June 30, 2003: HK\$5,601,000) and 268,550,000 (six months ended June 30, 2003: 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 for the current and prior period.

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

During the period, the Group spent approximately HK\$66,252,000 and HK\$2,094,000 (Six months ended June 30, 2003: HK\$120,000 and HK\$939,000) on addition to investment properties and property, plant and equipment respectively.

At June 30, 2004, 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 increase or decrease 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:

	June 30, 2004 (Unaudited) HK\$'000	December 31, 2003 (Audited) HK\$'000
Within 30 days	272,220	256,417
31 to 90 days	59,350	33,560
91 to 120 days	5,549	8,627
Over 120 days	15,330	34,804
Trade receivables	352,449	333,408
Other receivables, deposits and prepayments	50,860	67,106
	403,309	400,514

12. TRADE AND OTHER PAYABLES

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

	June 30, 2004 (Unaudited) HK\$'000	December 31, 2003 (Audited) HK\$'000
Within 30 days	153,802	189,197
31 to 90 days	21,923	34,352
91 to 120 days	3,104	8,271
Over 120 days	8,272	10,718
Trade payables	187,101	242,538
Other payables	127,979	98,449
	315,080	340,987

13. BILLS PAYABLE

The aged analysis of bills payable as at June 30, 2004 and December 31, 2003 are both within 90 days.

14. BORROWINGS

	June 30, 2004 (Unaudited) HK\$'000	December 31, 2003 (Audited) HK\$'000
Bank overdrafts	1,795	16,958
Bank loans	86,235	34,347
	88,030	51,305
Secured	78,238	28,818
Unsecured	9,792	22,487
	88,030	51,305

14. BORROWINGS (Continued)

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

	June 30, 2004 (Unaudited) HK\$'000	December 31, 2003 (Audited) HK\$'000
On demand or within one year	65,530	51,305
More than one year but not exceeding two years	2,500	—
More than two years but not exceeding five years	7,500	—
More than five years	12,500	—
	88,030	51,305
Less: Amount due within one year shown under current liabilities	(65,530)	(51,305)
	22,500	—

15. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At June 30, 2004 and December 31, 2003	350,000	35,000
Issued and fully paid:		
At June 30, 2004 and December 31, 2003	268,550	26,855

16. PLEDGE OF ASSETS

At June 30, 2004, the Group had pledged an investment property of HK\$66,252,000 (December 31, 2003: Nil) and bank deposits of HK\$16,369,000 (December 31, 2003: HK\$20,381,000) to banks to secure general banking facilities granted to the Group.