

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2000

1. ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

The interim report has been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants, except that comparative figures are not presented for the cash flow statement, being the first cash flow statement to be included in the interim financial report relating to accounting period ended on or after 1 July 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 30 June 2000.

2. SEGMENT INFORMATION

	Turnover		Profit (loss) from operations	
	Six months ended		Six months ended	
	31 December		31 December	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Business segments:				
Sales of telecommunications equipment	307,389	359,654	59,922	62,421
Provision of telecommunications services, software and licensing	41,488	46,546	4,068	(1,199)
	<u>348,877</u>	<u>406,200</u>	<u>63,990</u>	<u>61,222</u>
Geographical segments:				
People's Republic of China, including Hong Kong	205,842	257,148	54,218	64,391
Europe	120,771	126,505	8,896	(1,104)
Others	22,264	22,547	876	(2,065)
	<u>348,877</u>	<u>406,200</u>	<u>63,990</u>	<u>61,222</u>

3. DEPRECIATION

	Six months ended	
	31 December	
	2000	1999
	HK\$'000	HK\$'000
Depreciation on:		
Owned assets	16,502	18,054
Assets under finance leases	455	352
	<u>16,957</u>	<u>18,406</u>

4. TAXATION

The charge represents the provision for taxation in other jurisdictions calculated at the rates prevailing in the respective jurisdictions.

The low effective tax rate is attributable to the fact that a substantial portion of the Group's profit neither arises in, nor is derived from, Hong Kong and is accordingly not subject to Hong Kong Profits Tax and is not subject to taxation in any other jurisdictions.

5. EARNINGS PER SHARE

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

	Six months ended 31 December	
	2000	1999
	HK\$'000	HK\$'000
Earnings for the purpose of calculating basic and diluted earnings per share	54,419	52,645
	<u>54,419</u>	<u>52,645</u>
	Number of shares	
	As at 31 December	
	2000	1999
	'000	'000
Number of shares for the purpose of calculating basic earnings per share	370,160	370,160
Potential dilutive shares issuable under the Company's share option scheme	9,966	20,804
	<u>9,966</u>	<u>20,804</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share	380,126	390,964
	<u>380,126</u>	<u>390,964</u>

6. INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend (No dividend was declared for the six months ended 31 December 1999).

7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$13,559,000 (HK\$13,079,000 for the six months ended 31 December 1999) on acquisition of property, plant and equipment.

8. TRADE AND OTHER RECEIVABLES

At 31 December 2000, the balance of trade and other receivable included trade receivables of HK\$96,694,000. The aging analysis of trade receivables at the reporting date is as follows:

	As at 31 December 2000
	HK\$'000
0 - 60 days	75,827
61 - 90 days	3,926
> 90 days	16,941
	<u>96,694</u>
	<u><u>96,694</u></u>

The Group maintains a well-defined credit policy regarding its trade customers dependent on their credit worthiness, nature of services and products, industry practice and condition of the market with credit period ranging from 30 to 180 days.

9. TRADE AND OTHER PAYABLES

At 31 December 2000, the balance of trade and other payables included trade payables of HK\$43,673,000. The aging analysis of trade payables at the reporting date is as follows:

	As at 31 December 2000
	HK\$'000
0 - 60 days	29,555
61 - 90 days	6,304
> 90 days	7,814
	<u>43,673</u>
	<u><u>43,673</u></u>

10. SHARE CAPITAL

There were no movements in the share capital of the Company in either the current or the prior interim reporting period.

11. RESERVES

	Goodwill reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 July 2000	(44,036)	4,279	495,610	455,853
Exchange difference arising on translation of operations outside Hong Kong	-	36	-	36
Net profit for the period	-	-	54,419	54,419
At 31 December 2000	<u>(44,036)</u>	<u>4,315</u>	<u>550,029</u>	<u>510,308</u>
	<u><u>(44,036)</u></u>	<u><u>4,315</u></u>	<u><u>550,029</u></u>	<u><u>510,308</u></u>

12. RELATED PARTY TRANSACTIONS

During the period, the Group has transactions with Champion Technology Holdings Limited (“Champion”) and its subsidiaries as follows:

	Six months ended	
	31 December	
	2000	1999
	HK\$’000	HK\$’000
Nature of transactions		
Sales of pagers and paging systems by the Group to subsidiaries of Champion	828	304
Fees paid by the Group to Champion and its subsidiaries for the provision of office premises and facilities, and management services	600	600
Service fees paid by the Group to Champion and its subsidiaries for the provision of internet related services	<u>2</u>	<u>112</u>

These transactions were carried out after negotiation between the Group and the respective related companies. The sales and purchases were determined on a cost plus and a carrying value basis respectively. The fees paid for the provision of office premises and facilities, and management services were in accordance with the management agreement dated 20 December 1996. The service fees paid for the provision of internet related services were charged on terms similar to those applicable to transactions with unrelated parties.

13. CONTINGENT LIABILITIES

	THE COMPANY	
	As at	As at
	31 December	30 June
	2000	2000
	HK\$’000	HK\$’000
Guarantees given to banks in respect of credit facilities granted to subsidiaries	<u>244,939</u>	<u>237,963</u>

In addition, the Company and a subsidiary issued a guarantee and provided indemnity in favour of an independent third party in respect of a block discounting facility granted to another subsidiary.

The Group did not have any significant contingent liabilities at the period end date.

14. CAPITAL COMMITMENTS

	As at 31 December 2000 HK\$'000	As at 30 June 2000 HK\$'000
Capital expenditure in respect of investments:		
Contracted for but not provided in the financial statements	<u>19,375</u>	<u>42,625</u>
Capital expenditure in respect of property, plant and equipment:		
Contracted for but not provided in the financial statements	<u>112</u>	<u>121</u>
Authorised but not contracted for	<u>33,330</u>	<u>36,778</u>
	<u>33,442</u>	<u>36,899</u>
	<u>52,817</u>	<u>79,524</u>

The Company did not have any capital commitments at the period end date.

15. POST BALANCE SHEET EVENT

Subsequent to the Balance Sheet date, the Board of Directors proposed a bonus issue to the shareholders of the Company on the register of members on 23 April 2001 on the basis of two shares of HK\$0.10 each of the Company for every share held by the shareholders of the Company on 23 April 2001 ("Bonus Issue"). The Bonus Issue is subject to the approval of the shareholders at an extraordinary general meeting and the Listing Committee of The Stock Exchange of Hong Kong Limited.

16. COMPARATIVE FIGURES

Cost of sales for the six months ended 31 December 1999 of HK\$14,354,000 was reclassified to distribution costs to conform with the requirement of the Statement of Standard Accounting Practice No. 1 "Presentation of financial statements" issued by the Hong Kong Society of Accountants.