

## **NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2001**

### **1. ACCOUNTING POLICIES**

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

In the current period, the Group has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice (“SSAP(s)”) issued by the Hong Kong Society of Accountants:

SSAP 9 (Revised)	Events after the Balance Sheet Date
SSAP 26	Segment Reporting
SSAP 28	Provisions, Contingent Liabilities and Contingent Assets
SSAP 29	Intangible Assets
SSAP 30	Business Combinations
SSAP 31	Impairment of Assets
SSAP 32	Consolidated Financial Statements and Accounting for Investments in Subsidiaries

SSAP 26 is concerned with the presentation and disclosure of financial information. The presentation in the current period’s unaudited condensed consolidated financial statements has been modified in order to conform with the requirements of this standard. Comparative amounts have been restated in order to achieve a consistent presentation.

In adopting SSAP No. 30 “Business Combinations”, the Group has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1 July 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisition prior to July 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate. Goodwill arising on acquisition after 1 July 2001 is capitalised and amortised over its estimated useful life of a maximum period of 20 years. Negative goodwill arising on acquisition after 1 July 2001 is presented as a deduction from assets and will be released to income and based on an analysis of the circumstances from which the balance resulted.

### **2. SEGMENT INFORMATION**

For management purposes, the Group is currently organised into four main operating businesses – General systems products, provision of services and software licensing, leasing of systems products and distribution from investments in e-commerce projects. These businesses are the basis on which the Group reports its primary segment information.

## 2. SEGMENT INFORMATION – Continued

Segment information about these businesses is presented below:

### Business Segments

#### Results

	Segment revenue Six months ended 31 December		Segment result Six months ended 31 December	
	2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)
General systems products	305,544	307,389	52,282	59,922
Provision of services and software licensing	19,694	26,008	(397)	2,550
Leasing of systems products	22,471	15,480	(453)	1,518
Distribution from investments				
– e-commerce projects	3,022	–	(11,829)	–
Consolidated total	<u>350,731</u>	<u>348,877</u>	<u>39,603</u>	<u>63,990</u>

#### Other information

	Capital additions Six months ended 31 December		Depreciation and amortisation Six months ended 31 December	
	2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)	2001 HK\$'000 (Unaudited)	2000 HK\$'000 (Unaudited)
General systems products	59,878	8,427	10,678	11,402
Provisions of services and software licensing	1,620	3,217	2,968	3,483
Leasing of systems products	1,849	1,915	3,387	2,072
Distribution from investments				
– e-commerce projects	–	8,138	14,822	–
Consolidation total	<u>63,347</u>	<u>21,697</u>	<u>31,855</u>	<u>16,957</u>

#### Balance sheet

	Segment assets		Segment liabilities	
	31 December 2001 HK\$'000 (Unaudited)	30 June 2001 HK\$'000 (Audited)	31 December 2001 HK\$'000 (Unaudited)	30 June 2001 HK\$'000 (Audited)
General systems products	574,303	529,611	168,131	176,966
Provisions of services and software licensing	61,072	56,197	43,912	36,826
Leasing of systems products	69,682	63,210	50,102	41,422
Distribution from investments				
– e-commerce projects	185,258	200,922	680	272
Consolidation total	<u>890,315</u>	<u>849,940</u>	<u>262,825</u>	<u>255,486</u>

## 2. SEGMENT INFORMATION – Continued

### Geographical Segments

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods/services:

	Revenue by geographical segment Six months ended		Profit/(Loss) from operations Six months ended	
	31 December		31 December	
	2001	2000	2001	2000
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
People's Republic of China, including Hong Kong and Macau	<b>224,940</b>	205,842	<b>39,731</b>	54,218
Europe	<b>103,417</b>	120,771	<b>(357)</b>	8,896
Others	<b>22,374</b>	22,264	<b>229</b>	876
Consolidation total	<b><u>350,731</u></b>	<b><u>348,877</u></b>	<b><u>39,603</u></b>	<b><u>63,990</u></b>

The following is an analysis of the carrying amount of segment assets, and capital additions to property, plant and equipment, systems and networks, and interests in e-commerce projects, analysed by the geographical market to which the assets generate revenue:

	Carrying amount of segment assets		Capital additions	
	31 December	30 June	31 December	30 June
	2001	2001	2001	2001
	HK\$'000 (Unaudited)	HK\$'000 (Audited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)
People's Republic of China, including Hong Kong and Macau	<b>498,824</b>	497,194	<b>31,632</b>	8,252
Europe	<b>318,999</b>	303,581	<b>23,229</b>	16,444
Others	<b>72,492</b>	49,165	<b>8,486</b>	1,167
Consolidation total	<b><u>890,315</u></b>	<b><u>849,940</u></b>	<b><u>63,347</u></b>	<b><u>25,863</u></b>

### 3. DEPRECIATION AND AMORTISATION

	Six months ended 31 December	
	2001	2000
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of investments in e-commerce projects	14,822	–
Amortisation of systems and networks	930	–
Depreciation on:		
Owned assets	15,224	16,502
Assets held under finance leases	879	455
	<u>31,855</u>	<u>16,957</u>

### 4. TAXATION

	Six months ended 31 December	
	2001	2000
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The charge comprises:		
Hong Kong Profits Tax	5	–
Taxation in other jurisdictions	236	663
	<u>241</u>	<u>663</u>

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profits derived from Hong Kong. Taxation in other jurisdictions is 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 the basic and diluted earnings per share is based on the following data:

	<b>Six months ended 31 December</b>	
	<b>2001 HK\$'000 (Unaudited)</b>	<b>2000 HK\$'000 (Unaudited)</b>
Earnings for the purpose of calculating basic and diluted earnings per share	<b><u>31,868</u></b>	<u>54,419</u>
	<b>Number of shares As at 31 December</b>	
	<b>2001 '000</b>	<b>2000 '000</b>
Weighted average number of shares for the purpose of calculating basic earnings per share	<b><u>2,220,962</u></b>	<u>2,220,962</u>
Potential dilutive shares issuable under the Company's share option scheme	<u>N/A</u>	<u>59,794</u>
Weighted average number of shares for the purpose of calculating diluted earnings per share		<b><u>2,280,756</u></b>

The comparative figures for earnings per share have been adjusted to take account of a bonus issue in the proportion of two bonus shares for each share on 23 April 2001 and a bonus issue in the proportion of one bonus share for each share on 4 December 2001.

## 6. DIVIDEND

The directors do not recommend the payment of an interim dividend (No dividend was declared for the six months ended 31 December 2000).

## 7. PROPERTY, PLANT AND EQUIPMENT

	<i>HK\$'000</i>
Net book value at 1 July 2001	91,927
Currency realignment	2,122
Additions	7,547
Disposal	(213)
Depreciation	<u>(16,103)</u>
<b>Net book value at 31 December 2001</b>	<b><u>85,280</u></b>

At 31 December, 2001 certain land and building of the Group with net book value of HK\$8,070,000 (30 June 2001: HK\$7,932,000) were pledged to a bank as security for banking facilities granted to the Group.

Loss on disposal of property, plant and equipment of the Group amounted to HK\$204,000 for the period.

## 8. TRADE AND OTHER RECEIVABLES

At 31 December 2001, the balance of trade and other receivables included trade receivables of HK\$74,767,000 (30 June 2001: HK\$81,413,000). The aging analysis of trade receivables at the reporting date is as follows:

	<b>31 December 2001 HK\$'000 (Unaudited)</b>	30 June 2001 HK\$'000 (Audited)
0 – 60 days	<b>63,950</b>	75,494
61 – 90 days	<b>6,309</b>	3,031
91 – 180 days	<b>1,500</b>	911
> 180 days	<b>3,008</b>	1,977
	<b><u>74,767</u></b>	<b><u>81,413</u></b>

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 2001, the balance of trade and other payables included trade payables of HK\$12,670,000 (30 June 2001: HK\$16,844,000). The aging analysis of trade payables at the reporting date is as follows:

	<b>31 December 2001 HK\$'000 (Unaudited)</b>	30 June 2001 HK\$'000 (Audited)
0 – 60 days	<b>6,156</b>	11,394
61 – 90 days	<b>3,123</b>	2,366
91 – 180 days	<b>3,363</b>	2,389
> 180 days	<b>28</b>	695
	<b><u>12,670</u></b>	<b><u>16,844</u></b>

## 10. SHARE CAPITAL

	Number of shares	Issued and fully paid share capital <i>HK\$'000</i>
Shares of HK\$0.10 each:		
At 1 July 2001	1,110,480,876	111,048
Issue of shares upon bonus issue	<u>1,110,480,876</u>	<u>111,048</u>
<b>At 31 December 2001</b>	<b><u>2,220,961,752</u></b>	<b><u>222,096</u></b>

There was no change in the Company's authorised share capital during the period and the Company's authorised share capital comprised of 3,000,000,000 shares of HK\$0.10 each.

On 4 December 2001, a total of 1,110,480,876 bonus shares of HK\$0.10 each were issued to shareholders of the Company on the register of members on 30 November 2001.

## 11. RESERVES

	Goodwill reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2001	(44,036)	4,032	523,410	483,406
Exchange difference arising on translation of operations outside Hong Kong	–	1,168	–	1,168
Capitalization for bonus issue of shares	–	–	(111,048)	(111,048)
Net profit for the period	–	–	<u>31,868</u>	<u>31,868</u>
<b>At 31 December 2001</b>	<b><u>(44,036)</u></b>	<b><u>5,200</u></b>	<b><u>444,230</u></b>	<b><u>405,394</u></b>

## 12. CAPITAL COMMITMENTS

	31 December 2001 <i>HK\$'000</i> (Unaudited)	30 June 2001 <i>HK\$'000</i> (Audited)
<b>Capital expenditure in respect of investments:</b>		
Contracted for but not provided in the financial statements	–	<u>23,250</u>
<b>Capital expenditure in respect of property, plant and equipment:</b>		
Contracted for but not provided in the financial statements	<u>48,737</u>	816
Authorised but not contracted for	<u>15,761</u>	<u>13,554</u>
	<u>64,498</u>	<u>14,370</u>
	<b><u>64,498</u></b>	<b><u>37,620</u></b>

### 13. OPERATING LEASE COMMITMENTS

The Group had future minimum lease payments payable under non-cancellable operating leases in respect of rented premises and machinery and equipment which fall due at the reporting date as follows:

	31 December 2001		30 June 2001	
	Land and buildings	Machinery and equipment	Land and buildings	Machinery and equipment
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Within one year	185	2,853	1,252	3,576
In the second to fifth years inclusive	1,752	5,560	2,032	4,112
	<u>1,937</u>	<u>8,413</u>	<u>3,284</u>	<u>7,688</u>

### 14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm with the current period's presentation.