

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

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 SSAP No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

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

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial statements are the same as those used in the annual report for the year ended 31 March 2002, except the following new and revised SSAPs which have been adopted for the first time in preparation of the current period's consolidated financial statements.

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs issued by the HKSA:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of the 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.



3. SEGMENT INFORMATION

The turnover and contributions to profit from operations of the Group for the period, analysed by business segments are as follows:

For the six months ended 30 September 2002

	Sale of mobile phones HK\$'000	Sale of office telephone systems HK\$'000	Connection services HK\$'000	Property investments HK\$'000	Other activities HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Turnover	357,469	17,404	708	1,127	16,484	-	393,192
Inter-segment sales	-	-	-	870	-	(870)	-
	<u>357,469</u>	<u>17,404</u>	<u>708</u>	<u>1,997</u>	<u>16,484</u>	<u>(870)</u>	<u>393,192</u>
Segment results	<u>3,206</u>	<u>882</u>	<u>(262)</u>	<u>626</u>	<u>3,728</u>		8,180
Other revenue							86
Profit from operations							<u>8,266</u>

For the six months ended 30 September 2001

	Sale of mobile phones HK\$'000	Sale of office telephone systems HK\$'000	Connection services HK\$'000	Property investments HK\$'000	Other activities HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Turnover	323,388	19,990	13,181	1,717	13,007	-	371,283
Inter-segment sales	-	-	-	1,286	-	(1,286)	-
	<u>323,388</u>	<u>19,990</u>	<u>13,181</u>	<u>3,003</u>	<u>13,007</u>	<u>(1,286)</u>	<u>371,283</u>
Segments results	<u>7,615</u>	<u>2,774</u>	<u>3,869</u>	<u>1,239</u>	<u>2,209</u>		17,706
Gain on disposal of investment property							2,911
Other revenue							273
Profit from operations							<u>20,890</u>

Inter-segment sales are charged at prevailing market rates.

4. OTHER REVENUE**Six months ended**

	30.9.2002 HK\$'000	30.9.2001 HK\$'000
Interest income from banks	55	237
Sundry income	31	36
	<u>86</u>	<u>273</u>

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

Six months ended

	30.9.2002 HK\$'000	30.9.2001 HK\$'000
Depreciation and amortisation		
owned assets	1,478	1,170
assets under hire purchase contracts	13	20
	<u>1,491</u>	<u>1,190</u>

6. FINANCE COSTS**Six months ended**

	30.9.2002 HK\$'000	30.9.2001 HK\$'000
Interest on obligations under hire purchase contracts	4	16
Interest on bank borrowings wholly repayable within five years	14	36
	<u>18</u>	<u>52</u>



7. TAXATION

Six months ended

	30.9.2002 HK\$'000	30.9.2001 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	1,384	2,854
Singapore Income Tax	98	37
	<u>1,482</u>	<u>2,891</u>

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

Taxation arising in Singapore is calculated at the rates prevailing in the country.

The Group did not have any significant unprovided deferred taxation for the period.

8. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2002. The interim dividend of HK\$30,000,000 for the period ended 30 September 2001 was paid to the subsidiaries' shareholders prior to the listing.

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK\$6,766,000 (1.4.2001 – 30.9.2001: HK\$16,715,000) and on the weighted average of 433,219,436 shares (1.4.2001 – 30.9.2001: 318,829,600 shares) ordinary shares in issue during the period.

Diluted earnings per share has not been calculated as no dilutive potential ordinary shares were in issue in either period.

10. INVESTMENT PROPERTIES, AND PROPERTY AND EQUIPMENT

The directors consider that the values of the investment properties and leasehold land and buildings as at 30 September 2002 would not be materially different from the professional valuation made as at 31 March 2002. Accordingly, no revaluation surplus or deficit has been recognised during the period.

11. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing average credit period ranging from 2 weeks to one month to its trade customers.

In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted.

The following is an aged analysis of trade debtors is as follows:

	30.9.2002 HK\$'000	31.3.2002 HK\$'000
Within 30 days	16,969	20,348
Between 31 to 60 days	3,542	3,335
Between 61 to 90 days	2,849	2,504
Between 91 to 120 days	781	859
Over 120 days	6,437	8,168
	30,578	35,214
Other debtors, deposits and prepayments	3,363	6,412
	33,941	41,626

12. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade creditors is as follows:

	30.9.2002 HK\$'000	31.3.2002 HK\$'000
Within 30 days	16,728	24,774
Between 31 to 60 days	180	8
Between 61 to 90 days	1	5
	16,909	24,787
Other creditors and accrued charges	4,046	6,574
	20,955	31,361



13. RELATED PARTY TRANSACTIONS

During the period, the Group had the following transactions, which were conducted in the ordinary course of the Group's business, with its related companies:

Name	Notes	Nature of transactions	Six months ended	
			30.9.2002 HK\$'000	30.9.2001 HK\$'000
Hong Kong Communications Industrial Company Limited	(i)	Sales to	-	21
	(i)	Purchase from	-	301
Hong Kong Communications Computer Company Limited	(i)	Sales to	-	7
	(i)	Computer software maintenance fee paid and purchase from	521	433
	(ii)	Rental income received	124	120
HKC Intown Limited	(i)	Sales to	-	4
	(ii)	Rental income received	13	30
	(i)	Internet access fee paid	35	-
HKC eFinance28 Limited	(ii)	Rental income received	-	54
In Publishing Limited	(ii)	Rental income received	-	10
Webradio Limited	(ii)	Rental income received	54	54
BIA Technology Ltd	(i)	Sales to	144	-
	(i)	Purchase from	129	-
	(ii)	Rental income received	305	-

Notes:

- (i) Sales, purchases and other expenses paid are based on cost plus a percentage of profit mark-up.
- (ii) Rentals income was charged based on the area used, which management considered to be appropriate basis of allocation.

14. CONTINGENT LIABILITIES

The Company has provided corporate guarantees of HK\$48 million to secure the banking facilities granted to subsidiary companies.

15. PLEDGES OF ASSETS

At 30 September 2002, certain leasehold land and buildings and investment properties with aggregate carrying values of HK\$ 4,340,000 and HK\$7,200,000 respectively were pledged to banks to secure banking facilities granted to the Group.

16. POST BALANCE SHEET EVENTS

- (i) As mentioned in our circular dated 4 November 2002, a property situated at No. 51-53 Hennessy Road, Wanchai, Hong Kong has been acquired at a consideration of HK\$48,200,000 and the transaction will be completed on 30 December 2002. The acquisition will be funded through a combination of internal resources and banking financing, in a proportion of 30% and 70% respectively.
- (ii) A joint venture company, 80% owned by us, has been formed in Shanghai, the PRC in November 2002 for provision of system integration services. Our investment is HK\$5 million. The joint venture company will commence business in January 2003.