

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2003

### 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 Statement of Standard Accounting Practice ("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 and investment in securities.

### 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 adopted in the annual report for the year ended 31 March 2003, except that the Group has adopted SSAP 12 (Revised) "Income Taxes" issued by the HKSA which has been effective for accounting periods commencing on or after 1 January 2003.

In the current interim period, the Group has adopted SSAP 12 (Revised) Income Taxes. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of SSAP 12 (Revised) has had no material 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 2003

	Sale of mobile phones HK\$'000	Sale of business solutions HK\$'000	Connection services HK\$'000	Property investments HK\$'000	Installation, repair and maintenance services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
External sales	405,833	21,536	875	1,981	12,648	-	442,873
Inter-segment sales	-	-	-	1,050	-	(1,050)	-
	<u>405,833</u>	<u>21,536</u>	<u>875</u>	<u>3,031</u>	<u>12,648</u>	<u>(1,050)</u>	<u>442,873</u>
Segments results	<u>2,561</u>	<u>(555)</u>	<u>286</u>	<u>1,652</u>	<u>919</u>		4,863
Other operating income							164
Profit from operations							<u>5,027</u>

For the six months ended 30 September 2002

	Sale of mobile phones HK\$'000	Sale of business solutions HK\$'000	Connection services HK\$'000	Property investments HK\$'000	Installation, repair and maintenance services HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
External sales	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 operating income							86
Profit from operations							<u>8,266</u>

Inter-segment sales are charged at prevailing market rates.

**4. OTHER OPERATING INCOME**

	Six months ended	
	30.9.2003 HK\$'000	30.9.2002 HK\$'000
Interest income from banks	140	55
Sundry income	24	31
	<u>164</u>	<u>86</u>

**5. PROFIT FROM OPERATIONS**

Profit from operations has been arrived at after charging:

	Six months ended	
	30.9.2003 HK\$'000	30.9.2002 HK\$'000
Depreciation and amortisation owned assets	1,638	1,478
assets under hire purchase contracts	<u>7</u>	<u>13</u>

**6. FINANCE COSTS**

	Six months ended	
	30.9.2003 HK\$'000	30.9.2002 HK\$'000
Interest on obligations under hire purchase contracts	17	4
Interest on bank borrowings wholly repayable within five years	7	14
Interest on bank borrowings wholly repayable after five years	<u>428</u>	<u>—</u>
	<u>452</u>	<u>18</u>

## 7. TAXATION

	Six months ended	
	30.9.2003 HK\$'000	30.9.2002 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	953	1,384
Singapore Income Tax	—	98
	<u>953</u>	<u>1,482</u>

Hong Kong Profits Tax is calculated at 17.5% (1.4.2002 – 30.9.2002: 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 2003 (2002: nil).

## 9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK\$3.5 million (1.4.2002 – 30.9.2002: HK\$6.8 million) and on the weighted average of 436,013,947 ordinary shares (1.4.2002 – 30.9.2002: 433,219,436 shares) in issue during the period.

During the period ended 30 September 2003 and 2002, the exercise price of the Company's options was higher than the average market price of share thus there were no dilutive potential ordinary shares and no diluted earnings per share has been calculated.

## 10. INVESTMENT PROPERTIES

The directors have considered the open market value of the investment properties as at 30 September 2003 and the resulting revaluation decrease amounting to HK\$2 million has been debited to the investment property revaluation reserve.

**11. GOODWILL**

	<b>30.9.2003</b> <b>HK\$'000</b>
Arising on acquisition of subsidiaries	5,998
Less: Amortisation	<u>300</u>
	<b><u>5,698</u></b>

The acquired subsidiaries did not make any significant contribution to the results of the Group during the period under review.

**12. 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:

	<b>30.9.2003</b> <b>HK\$'000</b>	31.3.2003 HK\$'000
Within 30 days	18,688	17,527
Between 31 to 60 days	5,118	2,808
Between 61 to 90 days	3,943	2,866
Between 91 to 120 days	998	140
Over 120 days	<u>5,611</u>	<u>6,103</u>
Trade debtors	<b>34,358</b>	29,444
Other debtors, deposits and prepayments	<b><u>6,562</u></b>	<u>5,090</u>
	<b><u>40,920</u></b>	<b><u>34,534</u></b>

### 13. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade creditors:

	<b>30.9.2003</b>	31.3.2003
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>49,828</b>	37,057
Between 31 to 60 days	<b>941</b>	24
Between 61 to 90 days	<b>1,399</b>	-
Between 91 to 120 days	<b>3</b>	-
	<hr/>	<hr/>
Trade creditors	<b>52,171</b>	37,081
Other creditors and accrued charges	<b>5,650</b>	7,228
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	<b>57,821</b>	44,309
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### 14. 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	
			30.9.2003 HK\$'000	30.9.2002 HK\$'000
BIA Technology Ltd	(i)	Sales to	9	-
(formerly known as Hong Kong	(i)	Purchase from	847	-
Communications Industrial	(ii)	Rental income received	38	-
Company Limited)				
Hong Kong Communications	(i)	Computer software maintenance		
Computer Company Limited		fee paid and purchase from	230	521
	(ii)	Rental income received	125	124
HKC Intown Limited	(ii)	Rental income received	-	13
	(i)	Internet access fee paid	42	35
Webradio Limited	(ii)	Rental income received	-	54

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.

**15. CONTINGENT LIABILITIES**

The Company has provided corporate guarantees of HK\$31 million to secure the banking facilities granted to subsidiary companies.

**16. PLEDGES OF ASSETS**

At 30 September 2003, certain leasehold land and buildings and investment properties with aggregate carrying values of HK\$4,220,000 (31.3.2003: HK\$4,220,000) and HK\$54,400,000 (31.3.2003: HK\$54,400,000) respectively were pledged to banks to secure banking facilities granted to the Group.

**17. SUBSEQUENT EVENT**

On 13 October 2003, an investment property at cost of HK\$9.7 million has been sold at a consideration of HK\$7.7 million, resulting in a loss of approximately HK\$2 million.