

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 (in force immediately before its revision became effective on 31 March 2004) 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 No. 25 "Interim financial reporting".

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2004.

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 2004

	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	436,889	17,728	-	1,165	13,628	-	469,410
Inter-segment sales	-	-	-	648	-	(648)	-
	<u>436,889</u>	<u>17,728</u>	<u>-</u>	<u>1,813</u>	<u>13,628</u>	<u>(648)</u>	<u>469,410</u>
Segments results	<u>9,613</u>	<u>(3,035)</u>	<u>-</u>	<u>638</u>	<u>3,457</u>		10,673
Other operating income							378
Impairment loss recognized in respect of goodwill	-	(3,645)	-	-	-		(3,645)
Amortisation of goodwill	-	(214)	-	-	-		(214)
Profit from operations							<u>7,192</u>

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
Amortisation of goodwill	-	(300)	-	-	-		(300)
Profit from operations							<u>4,727</u>

Inter-segment sales are charged at prevailing market rates.

4. OTHER OPERATING INCOME

	Six months ended	
	30.9.2004 HK\$'000	30.9.2003 HK\$'000
Interest income from banks	95	140
Sundry income	283	24
	<u>378</u>	<u>164</u>

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	Six months ended	
	30.9.2004 HK\$'000	30.9.2003 HK\$'000
Depreciation owned assets	2,203	1,638
assets under hire purchase contracts	10	7
	<u>2,213</u>	<u>1,645</u>

6. FINANCE COSTS

	Six months ended	
	30.9.2004 HK\$'000	30.9.2003 HK\$'000
Interest on obligations under hire purchase contracts	3	17
Interest on bank borrowings wholly repayable within five years	10	7
Interest on bank borrowings wholly repayable after five years	391	428
	<u>404</u>	<u>452</u>

7. TAXATION

	Six months ended	
	30.9.2004 HK\$'000	30.9.2003 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	2,264	953
PRC Income Tax	92	–
Deferred tax	200	–
	2,556	953

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the period.

PRC Income Tax is calculated at the applicable PRC tax rates on the estimated assessable profit for the period.

8. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2004 (2003: HK\$Nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK\$4,247,000 (2003: HK\$3,477,000) and on the weighted average of 449,637,603 ordinary shares (2003: 436,013,947 shares) in issue during the period.

During each of the periods ended 30 September 2004 and 2003, the exercise price of the Company's options was higher than the average market price of share, thus there was no dilutive potential ordinary shares and no diluted earnings per share had been calculated.

10. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

All of the investment properties and leasehold land and buildings of the Group were revalued at 30 September 2004 by LCH (Asia-Pacific) Surveyors Limited, an independent firm of professional property valuer, on an open market value existing use basis. The resulting surplus arising on revaluation, which amounted to HK\$12,462,000 (2003: HK\$Nil) and HK\$15,986,000 (2003: HK\$Nil), have been credited to the investment property revaluation reserve and the leasehold property revaluation reserve respectively.

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:

	30.9.2004 HK\$'000	31.3.2004 HK\$'000
Within 30 days	19,518	18,276
Between 31 to 60 days	9,690	2,769
Between 61 to 90 days	2,461	2,457
Between 91 to 120 days	1,184	597
Over 120 days	10,285	6,687
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Trade debtors	43,138	30,786
Other debtors, deposits and prepayments	10,844	10,527
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	53,982	41,313
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12. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade creditors:

	30.9.2004 HK\$'000	31.3.2004 HK\$'000
Within 30 days	40,404	34,996
Between 31 to 60 days	246	365
Between 61 to 90 days	134	2,202
Between 91 to 120 days	598	-
Over 120 days	2,596	-
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Trade creditors	43,978	37,563
Other creditors and accrued charges	7,360	5,978
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	51,338	43,541
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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	
			30.9.2004 HK\$'000	30.9.2003 HK\$'000
BIA Technology Ltd	(i)	Sales to	2,299	9
	(i)	Purchase from	-	847
	(ii)	Rental income received	18	38
Hong Kong Communications Computer Company Limited	(i)	Computer software maintenance fee paid and purchase from	39	230
	(ii)	Rental income received	90	125
HKC Intown Limited	(i)	Internet access fee paid	116	42

Notes:

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

14. CONTINGENT LIABILITIES

At 30 September 2004, the Company has provided corporate guarantees of HK\$96,740,000 (31 March 2004: HK\$97,340,000) to secure the banking facilities granted to subsidiary companies.

15. PLEDGES OF ASSETS

At 30 September 2004, certain leasehold land and buildings and investment properties with aggregate carrying values of HK\$4,170,000 (31 March 2004: HK\$4,170,000) and HK\$65,400,000 (31 March 2004: HK\$55,000,000) respectively were pledged to banks to secure banking facilities granted to the Group. In addition, the Group's bank deposits of HK\$253,000 (31 March 2004: HK\$280,000) were pledged to banks to secure the performance bonds.

16. POST BALANCE SHEET EVENT

On 1 December 2004, the Group accepted a tender from an independent third party to dispose of an investment property and a leasehold land and building (the "Properties") at a consideration of HK\$180,000,000. The net book value at cost of the Properties was HK\$73,800,000 at 30 September 2004. Therefore the Group is to record a gain of approximately HK\$106,200,000 (subject to audit) before related expenses upon completion of sales.

The above disposal constitutes a very substantial disposal for the Group under Chapter 14 of the Listing Rules and is conditional on approval by the shareholders of the Company at an extraordinary general meeting to be convened and held for approving, among other matters, the disposal. Particulars of the above disposal are set out in the Company's announcement dated 3 December 2004.