

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

1. BASIS OF PREPARATION

The unaudited condensed financial statements have been prepared under the historical cost convention and in accordance with the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies adopted are consistent with those in the preparation of the audited financial statements of the Group for the year ended 30 June 2004.

2. TURNOVER AND SEGMENT INFORMATION

For management purposes, the Group is currently organised into six main operating business - sales of general systems products, provision of services and software licensing, leasing of systems products, investments in telecommunications networks and projects, investments in e-commerce projects and holding strategic investments in advanced technology product development companies. These businesses are the basis on which the Group reports its primary segment information.

	Sales of general systems products <i>HK\$'000</i>	Provision of services and software licensing <i>HK\$'000</i>	Leasing of systems products <i>HK\$'000</i>	Investments in telecommuni- cations networks and projects <i>HK\$'000</i>	Investments in e-commerce projects <i>HK\$'000</i>	Strategic investments <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Six months ended 31 December 2004							
TURNOVER							
External and total revenue	726,582	359,778	7,826	14,991	16,162	28,845	1,154,184
RESULTS							
Segment result	111,304	111,870	5,791	14,668	15,356	25,080	284,069
Interest income							7,682
Unallocated corporate expenses							(1,768)
Profit from operations							289,983
Finance costs							(4,212)
Profit before taxation							285,771
Taxation							(339)
Profit before minority interests							285,432
Minority interests							(54,451)
Net profit for the period							230,981

2. TURNOVER AND SEGMENT INFORMATION – continued

	Sales of general systems products <i>HK\$'000</i>	Provision of services and software licensing <i>HK\$'000</i>	Leasing of systems products <i>HK\$'000</i>	Investments in telecommuni- cations networks and projects <i>HK\$'000</i>	Investments in e-commerce projects <i>HK\$'000</i>	Strategic investments <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Six months ended 31 December 2003							
TURNOVER							
External and total revenue	<u>637,987</u>	<u>267,231</u>	<u>8,522</u>	<u>43,218</u>	<u>16,725</u>	<u>-</u>	<u>973,683</u>
RESULTS							
Segment result	<u>37,485</u>	<u>95,783</u>	<u>6,329</u>	<u>26,390</u>	<u>16,191</u>	<u>-</u>	<u>182,178</u>
Interest income							6,628
Unallocated corporate expenses							<u>(5,437)</u>
Profit from operations							183,369
Gain on disposal of subsidiaries							50
Finance costs							<u>(11,189)</u>
Profit before taxation							172,230
Taxation							<u>(468)</u>
Profit before minority interests							171,762
Minority interests							<u>(23,787)</u>
Net profit for the period							<u>147,975</u>

3. DEPRECIATION AND AMORTISATION

	Six months ended	
	31 December	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of systems and networks	82,455	100,258
Depreciation and amortisation of property, plant and equipment:		
Owned assets	9,675	16,652
Assets held under finance leases	73	298
	<u>92,203</u>	<u>117,208</u>

4. TAXATION

	Six months ended	
	31 December	
	2004	2003
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	77	380
Taxation in other jurisdictions	<u>262</u>	<u>88</u>
	<u>339</u>	<u>468</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) 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 such profit is either exempted or not subject to taxation in any other jurisdictions.

5. DIVIDENDS

Dividends represents interim dividend of HK1.7 cents (2003: HK1.6 cents) per share, in scrip form with a cash option.

The interim dividend is based on 1,201,636,458 shares in issue at 31 December 2004.

6. EARNINGS PER SHARE

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

	Six months ended 31 December	
	2004 HK\$'000	2003 HK\$'000
Earnings for the purpose of calculating basic earnings per share	230,981	147,975
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	240	330
Earnings for the purpose of calculating diluted earnings per share	231,221	148,305
	Number of shares (In '000)	
	Six months ended 31 December	
	2004	2003
Weighted average number of shares for the purpose of calculating basic earnings per share	1,197,196	731,284
Effect of dilutive potential ordinary shares		
Convertible bonds	37,683	16,422
Warrants	–	19,938
	37,683	36,360
Weighted average number of shares for the purpose of calculating diluted earnings per share	1,234,879	767,644

7. PROPERTY, PLANT AND EQUIPMENT

	<i>HK\$'000</i>
Net book value at 1 July 2004	78,708
Currency realignment	2,600
Additions	4,595
Transfer to stock	(1)
Disposals	(172)
Depreciation	(9,748)
Net book value at 31 December 2004	75,982

At 31 December 2004, certain land and buildings of the Group with a net book value of HK\$10,918,000 (30 June 2004: HK\$10,467,000) 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\$89,000 for the period.

8. INTEREST IN AN ASSOCIATE

	As at 31 December 2004 HK\$'000	As at 30 June 2004 HK\$'000
Share of net assets	31	–
Amount due from an associate	281	–
	312	–

The Group holds a 40% interest in the issued capital in Belcher Technology Limited (“Belcher”), a company incorporated in Samoa, which is engaged in investment holding in software consulting and the development of software systems that enables researchers to efficiently examine, interpret and store data to speed up drug discovery and advance scientific knowledge.

The amount due from an associate is unsecured, interest free and has no fixed repayment terms. In the opinion of the directors, the amount will not be repaid within one year from the reporting date. Accordingly, the said amount is shown in the condensed consolidated balance sheet as a non-current asset. During the period, this company has not derived any dividend income from its investment.

9. TRADE AND OTHER RECEIVABLES

At 31 December 2004, the balance of trade and other receivables included trade receivables of HK\$574,251,000 (30 June 2004: HK\$412,278,000). The aging analysis of trade receivables at the reporting date is as follows:

	As at 31 December 2004 HK\$'000	As at 30 June 2004 HK\$'000
0 – 60 days	427,072	166,513
61 – 90 days	104,964	99,669
91 – 180 days	2,486	119,911
> 180 days	39,729	26,185
	574,251	412,278

10. TRADE AND OTHER PAYABLES

At 31 December 2004, the balance of trade and other payables included trade payables of HK\$20,914,000 (30 June 2004: HK\$10,983,000). The aging analysis of trade payables at the reporting date is as follows:

	As at 31 December 2004 HK\$'000	As at 30 June 2004 HK\$'000
0 – 60 days	15,046	5,324
61– 90 days	1,584	1,593
91 – 180 days	2,375	905
> 180 days	1,909	3,161
	20,914	10,983

11. WARRANTY PROVISION

	<i>HK\$'000</i>
At 1 July 2004	1,766
Currency realignment	144
Additional provision	905
Utilisation of provision	(846)
At 31 December 2004	1,969

The warranty provision represents the management's best estimate of the Group's liability under 12-month warranties granted on manufactured products, based on prior experience and industry average for defective products.

12. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised share capital of HK\$0.10 each:		
Balance at 1 July 2004 and 31 December 2004	30,000,000,000	3,000,000
Issued and fully paid share capital of HK\$0.10 each:		
Balance at 1 July 2004	1,183,599,683	118,360
Issue of share upon exercise of warrants	278	–
Issue of shares upon conversion of convertible bonds	18,036,497	1,804
Balance at 31 December 2004	1,201,636,458	120,164

12. SHARE CAPITAL – continued

During the period, the following changes in the issued and fully paid share capital of the Company took place:

- (a) a total of 278 shares of HK\$0.10 each of the Company were issued at HK\$1.68 per share pursuant to the exercise of subscription rights under the warrants of the Company by warrantholders; and
- (b) convertible bonds with the principal amount of US\$2,500,000 were converted into 18,036,497 shares of HK\$0.10 each of the Company at a price ranging from HK\$0.9870 to HK\$1.1938 per share.

Warrants

On 23 December 2003, the Company proposed a bonus issue of new warrants (“2005 Warrants”) to the shareholders of the Company whose names appeared on the register of members on 30 January 2004. Pursuant to an ordinary resolution passed on 2 February 2004, 194,501,407 units of 2005 Warrants were issued to the shareholders of the Company at an initial subscription price of HK\$1.68 per share of HK\$0.10 each of the Company. During the period, warrants carrying subscription rights of HK\$467 were exercised. These warrants expired on 7 February 2005.

On 21 October 2004, the Company proposed a bonus issue of new warrants (“2006 Warrants”) to the shareholders of the Company whose names appeared on the register of members on 26 November 2004. Pursuant to an ordinary resolution passed on 26 November 2004, 232,182,661 units of 2006 Warrants with subscription rights to subscribe a maximum aggregate amount of HK\$320,412,072.18 for shares were issued on 17 February 2005. Each unit of 2006 Warrants entitles its holder to subscribe for shares of the Company at an initial subscription price of HK\$1.38 per share of HK\$0.1 each of the Company, subject to adjustment, from the date of issue thereof until 16 February 2006.

13. RESERVES

	Share premium HK\$'000	Dividend reserve HK\$'000	Capital redemption reserve HK\$'000	General reserve HK\$'000	Capital reserve HK\$'000	Goodwill reserve HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 July 2004	1,135,562	31,957	50	1,366,003	105,495	(396,184)	8,358	(5,163)	1,867,675	4,113,753
Premium arising from issue of shares										
– on exercise of warrants	-	-	-	-	-	-	-	-	-	-
– on conversion of convertible bonds	17,671	-	-	-	-	-	-	-	-	17,671
Exchange differences arising on translation of operations outside Hong Kong	-	-	-	-	-	-	-	(2,253)	-	(2,253)
Net profit for the period	-	-	-	-	-	-	-	-	230,981	230,981
Dividends for the period	-	20,428	-	-	-	-	-	-	(20,428)	-
At 31 DECEMBER 2004	1,153,233	52,385	50	1,366,003	105,495	(396,184)	8,358	(7,416)	2,078,228	4,360,152

14. CAPITAL COMMITMENTS

	As at 31 December 2004 HK\$'000	As at 30 June 2004 HK\$'000
Capital expenditure in respect of property, plant and equipment and systems and networks:		
Authorised but not contracted for	396,715	319,897

15. OPERATING LEASE ARRANGEMENTS**The Group as lessee**

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 as follows:

	As at 31 December 2004		As at 30 June 2004	
	Land and buildings HK\$'000	Machinery and equipment HK\$'000	Land and buildings HK\$'000	Machinery and equipment HK\$'000
Within one year	2,564	391	981	328
In the second to fifth years inclusive	2,400	6,853	2,919	5,733
	4,964	7,244	3,900	6,061

Leases are negotiated for terms of one to four years and rentals are fixed for terms of one to four years.

The Group as lessor

The Group contracted with tenants in respect of leasing of plant and machinery and telecommunications networks which fall due as follows:

	As at 31 December 2004 HK\$'000	As at 30 June 2004 HK\$'000
Within one year	11,242	11,315
In the second to fifth years inclusive	19,928	18,531
Over five years	1,165	1,737
	32,335	31,583