

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 five main operating business – sales of general systems products, provision of services and software licensing, leasing of systems products, 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 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	<u>358,970</u>	<u>152,658</u>	<u>7,826</u>	<u>4,494</u>	<u>6,115</u>	<u>530,063</u>
RESULTS						
Segment result	<u>47,232</u>	<u>65,465</u>	<u>5,791</u>	<u>4,347</u>	<u>5,914</u>	128,749
Interest income						2,893
Unallocated corporate expenses						<u>(502)</u>
Profit from operations						131,140
Finance costs						<u>(3,531)</u>
Profit before taxation						127,609
Taxation						<u>(339)</u>
Profit before minority interests						127,270
Minority interests						<u>-</u>
Net profit for the period						<u>127,270</u>

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 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>330,964</u>	<u>120,736</u>	<u>8,522</u>	<u>2,786</u>	<u>–</u>	<u>463,008</u>
RESULTS						
Segment result	<u>12,185</u>	<u>37,964</u>	<u>6,329</u>	<u>2,778</u>	<u>–</u>	<u>59,256</u>
Interest income						2,107
Unallocated corporate expenses						<u>(320)</u>
Profit from operations						61,043
Finance costs						<u>(5,672)</u>
Profit before taxation						55,371
Taxation						<u>(77)</u>
Profit before minority interests						55,294
Minority interests						<u>(18)</u>
Net profit for the period						<u>55,276</u>

3. DEPRECIATION AND AMORTISATION

	Six months ended 31 December	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Amortisation of systems and networks	26,440	41,702
Depreciation and amortisation of property, plant and equipment:		
Owned assets	8,401	9,812
Assets held under finance leases	<u>73</u>	<u>298</u>
	<u>34,914</u>	<u>51,812</u>

4. TAXATION

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

Hong Kong Profits Tax is calculated at 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 cents (2003: HK0.6 cents) per share, in scrip form with a cash option.

The interim dividend is based on 2,308,341,469 shares in issue at 31 December 2004.

6. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 31 December 2004 is based on the net profit for the period of HK\$127,270,000 (2003: HK\$55,276,000) and on the weighted average of 2,308,341,469 (2003: 2,220,961,752) shares in issue throughout the period.

No diluted earnings per share has been presented as there were not in issue any securities with potential dilutive effect in both periods.

7. PROPERTY, PLANT AND EQUIPMENT

	<i>HK\$'000</i>
Net book value at 1 July 2004	51,117
Currency realignment	2,600
Additions	4,107
Disposals	(172)
Depreciation	<u>(8,474)</u>
Net book value at 31 December 2004	<u>49,178</u>

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\$88,000 for the period.

8. TRADE AND OTHER RECEIVABLES

At 31 December 2004, the balance of trade and other receivables included trade receivables of HK\$172,512,000 (30 June 2004: HK\$172,114,000). 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	120,232	107,272
61 – 90 days	47,084	40,310
91 – 180 days	908	20,933
> 180 days	4,288	3,599
	<u>172,512</u>	<u>172,114</u>

9. TRADE AND OTHER PAYABLES

At 31 December 2004, the balance of trade and other payables included trade payables of HK\$14,551,000 (30 June 2004: HK\$10,845,000). 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	10,537	5,259
61 – 90 days	713	1,570
91 – 180 days	2,288	855
> 180 days	1,013	3,161
	<u>14,551</u>	<u>10,845</u>

10. 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	<u>1,969</u>

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.

11. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Authorised share capital of HK\$0.10 each:		
Balance at 1 July 2004 and 31 December 2004	<u>3,000,000,000</u>	<u>300,000</u>
Issued and fully paid share capital of HK\$0.10 each:		
Balance at 1 July 2004 and 31 December 2004	<u>2,308,341,469</u>	<u>230,834</u>

12. RESERVES

	Share premium <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	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 2004	6,940	15,004	(44,036)	(9,057)	627,361	596,212
Exchange differences arising on translation of operations outside Hong Kong	-	-	-	(3,934)	-	(3,934)
Net profit for the period	-	-	-	-	127,270	127,270
Dividends for the period	-	23,083	-	-	(23,083)	-
At 31 December 2004	<u>6,940</u>	<u>38,087</u>	<u>(44,036)</u>	<u>(12,991)</u>	<u>731,548</u>	<u>719,548</u>

13. CAPITAL COMMITMENTS

	As at 31 December 2004 <i>HK'000</i>	As at 30 June 2004 <i>HK'000</i>
Capital expenditure in respect of property, plant and equipment and systems and networks:		
Authorised but not contracted for	<u>116,366</u>	<u>98,464</u>

14. 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 <i>HK\$'000</i>	Machinery and equipment <i>HK\$'000</i>	Land and buildings <i>HK\$'000</i>	Machinery and equipment <i>HK\$'000</i>
Within one year	140	391	150	328
In the second to fifth years inclusive	1,957	6,852	2,493	5,733
	<u>2,097</u>	<u>7,243</u>	<u>2,643</u>	<u>6,061</u>

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 <i>HK\$'000</i>	As at 30 June 2004 <i>HK\$'000</i>
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
	<u>32,335</u>	<u>31,583</u>