NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2005

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 Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared on the historical cost convention, as modified for the revaluation of available-for-sale investments, investment held for trading, and the derivative financial instruments.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2005 except as described below:

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (HKFRSs), HKASs and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in changes in the presentation of the income statement, balance sheet and the statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Financial instruments

In the current period, the Group has applied HKAS 32 *Financial Instruments: Disclosure and Presentation* and HKAS 39 *Financial Instruments*: Recognition and Measurement. HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Prior to 1 April 2005, investments of the Group were classified into long term investments and short term investments, which were stated at their fair values.

Upon adoption of HKAS 32 and HKAS 39, all long term investments and short term investments held as at 31 March 2005 were re-designated into available-for-sales investments and investments held for trading on 1 April 2005, respectively. There is no effect on remeasurement, as the accounting policy on measurement of the investments as at 31 March 2005 was the same as that for the available-for-sales investments and investments held for trading.

Derivatives and hedging
All derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

Investment properties
In the current period, the Group has, for the first time, applied HKAS 40 *Investment Property*. The Group has elected to use the cost model to account for its investment properties, under which investment properties are carried at cost less accumulated depreciation and accumulated impairment losses (if any). In previous periods, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation deficit, in which case the excess of the revaluation deficit over the balance on the investment property revaluation reserve was charged to the income statement. Where a deficit had previously been charged to the income statement and revaluation subsequently arose, that surplus was credited to the income statement to the extent of the deficit previously charged. The Group has applied the relevant transitional provisions in HKAS 40. The Group has resolved to deem the carrying amount of the investment properties immediately before 1 April 2005 as cost, and transferred the amount held in investment property revaluation reserve at 1 April 2005 to the Group's retained earnings. The Group has commenced depreciation for the investment properties from 1 April 2005 onwards.

Share-based Payments
In the current period, the Group has applied HKFRS 2 *Share-based Payment* which resulted in a change in the accounting policy for share-base payment. Until 31 March 2005, the provision of share options to directors and employees did not result in an expense in the income statement. Following the adoption of HKFRS 2, the fair value of share options at grant date is charged to the income statement of relevant accounting periods. As a transitional provision, HKFRS 2 has been applied retrospectively for all share options granted after 7 November 2002 and had not been vested upon 1 January 2005.

Effect on profit after taxation for the six months ended 30 September 2005 and 2004:

	Six months ended			
	30.9.2005		30.9.2004	
	HKAS 40	**HKFRS 2**	HKAS 40	HKFRS 2
	HK$'000	**HK$'000**	HK$'000	HK$'000
Increase in depreciation	**554**	**–**	–	–
Increase in administrative and other operating expenses relating to issue of share options	**–**	**674**	–	–
Total decrease in profit	**554**	**674**	–	–

Effect on opening balance of total equity as at 1 April 2005 and 2004:

	1.4.2005		1.4.2004	
	HKAS 40	**HKFRS 2**	HKAS 40	HKFRS 2
	HK$'000	**HK$'000**	HK$'000	HK$'000
Decrease in investment property reserve	**(23,713)**	**–**	(8,358)	–
Increase in retained profits	**23,713**	**–**	8,358	–

3. SEGMENT INFORMATION

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

For the six months ended 30 September 2005

	Sales of mobile phones HK$'000	Sales of business solutions HK$'000	Property investment HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER					
External sales	533,560	44,924	819	–	579,303
Inter-segment sales	–	–	–	–	–
Total turnover	533,560	44,924	819	–	579,303
RESULTS					
Segment results	12,109	403	(39)		12,473
Other operating income					2,081
Gain on disposal of investment properties and leasehold land and buildings					37,169
Fair value changes on financial instruments					(1,993)
Profit from operations					49,730

For the six months ended 30 September 2004

	Sales of mobile phones HK$'000	Sales of business solutions HK$'000	Property investment HK$'000	Elimination HK$'000	Consolidated HK$'000
TURNOVER					
External sales	428,046	40,199	1,165	–	469,410
Inter-segment sales	–	–	648	(648)	–
	428,046	40,199	1,813	(648)	469,410

Inter-segment sales are charged at prevailing market rates.

	Sales of mobile phones HK$'000	Sales of business solutions HK$'000	Property investment HK$'000	Elimination HK$'000	Consolidated HK$'000
RESULTS					
Segment results	9,613	422	638		10,673
Other operating income					378
Impairment loss recognised in respect of goodwill	–	(3,645)	–		(3,645)
Amortisation of goodwill arising on acquisition of subsidiaries	–	(214)	–		(214)
Profit from operations					7,192

4. OTHER OPERATING INCOME

	Six months ended 30.9.2005 HK$'000	Six months ended 30.9.2004 HK$'000
Interest income from banks	**657**	95
Investment income	**1,027**	–
Sundry income	**397**	283
	2,081	378

5. PROFIT FROM OPERATIONS

	Six months ended 30.9.2005 HK$'000	Six months ended 30.9.2004 HK$'000
Profit from operations has been arrived at after charging:		
Depreciation		
owned assets	**1,649**	2,203
assets under hire purchase contracts	**29**	10
	1,678	2,213

6. FINANCE COSTS

	Six months ended 30.9.2005 HK$'000	Six months ended 30.9.2004 HK$'000
Interest on obligations under hire purchase contracts	**3**	3
Interest on bank borrowings wholly repayable within five years	**7**	10
Interest on bank borrowings wholly repayable after five years	**305**	391
	315	404

7. TAX EXPENSE

	Six months ended 30.9.2005 HK$'000	Six months ended 30.9.2004 HK$'000
The charge comprises:		
Hong Kong Profits Tax	**3,435**	2,264
PRC Income Tax	**333**	92
Deferred tax	**–**	200
	3,768	2,556

Hong Kong Profits Tax is provided at the rate of 17.5% (2004: 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

	Six months ended 30.9.2005 HK$'000	Six months ended 30.9.2004 HK$'000
Final dividend for the year 2005 of HK$0.01 per ordinary share (2004: final dividend for the year 2004 of HK$0.01 per ordinary share)	**4,621**	4,496
Special dividend for the year 2006 of HK$0.04 per ordinary share	**18,477**	–
	23,098	4,496

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2005 (2004: HK$ Nil).

9. EARNINGS PER SHARE

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

	Six months ended 30.9.2005 HK$'000	Six months ended 30.9.2004 HK$'000
Net profit attributable to shareholders	**44,949**	4,247
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	**461,960,983**	449,637,603
Effect of dilutive potential ordinary shares: Option	**674,737**	–
Weighted average number of ordinary shares for the purposes of calculating diluted earning per share	**462,635,720**	449,637,603

During the period ended 30 September 2004, 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.

10. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group had completed the acquisitions of investment properties in Hong Kong and Shanghai at a total cash consideration of approximately HK$73,000,000.

On 8 April 2005, the Group completed the disposal of some of its investment properties and leasehold land and buildings with a total carrying value of HK$ 140,590,000 to an independent third party at a cash consideration of HK$180,000,000.

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:

	30.9.2005	31.3.2005
	HK$'000	HK$'000
Within 30 days	**35,715**	18,818
Between 31 to 60 days	**9,926**	2,938
Between 61 to 90 days	**1,953**	2,796
Between 91 to 120 days	**262**	752
Over 120 days	**4,755**	5,172
	52,611	30,476

12. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade creditors:

	30.9.2005	31.3.2005
	HK$'000	HK$'000
Within 30 days	**29,403**	21,371
Between 31 to 60 days	**2,893**	893
Between 61 to 90 days	**849**	851
	33,145	23,115

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 30.9.2005 HK$'000	30.9.2004 HK$'000
HKC Intown Limited	(i)	Internet accesss fee paid	**104**	116
Hong Kong Communications Computer Company Limited	(i)	Computer software maintenance fee paid and purchase from	**294**	39
	(ii)	Rental income received	**–**	90
BIA Technology Ltd	(i)	Sales to	**2,093**	2,299
	(ii)	Rental income received	**–**	18
Koywa HKC Company Limited	(iii)	Rental expense	**40**	40

Notes:

(i) The transactions are based on cost plus a percentage of profit mark-up.

(ii) Rentals income was charged based on the area occupied, which the management of the Group considered to be appropriate basis of allocation.

(iii) Rental expense was charged at prevailing market rates.

14. CONTINGENT LIABILITIES

As at 30 September 2005, the Company has provided corporate guarantees of HK$80,000,000 (31 March 2005: HK$86,900,000) to secure the banking facilities granted to subsidiary companies.

15. PLEDGES OF ASSETS

As at 30 September 2005, certain leasehold land and buildings and investment properties with aggregate carrying values of HK$3,348,000 (31 March 2005: HK$4,360,000) and HK$72,857,000 (31 March 2005: HK$ 65,740,000) respectively were pledged to banks to secure banking facilities granted to the Group.