

INTERIM DIVIDEND AND SCRIP DIVIDEND SCHEME

The directors have resolved to pay an interim dividend of HK2.2 cents per share for the six months ended 31 December 2005 (2004: HK1.7 cents per share) to shareholders whose names appear on the register of members of the Company on 20 April 2006. Such interim dividend will be satisfied by allotment of new shares of the Company, credited as fully paid, by way of scrip dividend, with an option to the shareholders to receive such dividend (or part thereof) in cash in lieu of such allotment (the “Scrip Dividend Scheme”).

The Scrip Dividend Scheme is subject to the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of a listing of and permission to deal in the shares to be issued pursuant thereto. A circular setting out the details of the Scrip Dividend Scheme together with the form of election will be sent to the shareholders of the Company as soon as practicable.

It is expected that the relevant certificates for the new shares to be issued under the Scrip Dividend Scheme and dividend warrants will be dispatched to those entitled on or before 14 June 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 12 April 2006 to 20 April 2006, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify for the above interim dividend and the Scrip Dividend Scheme, all transfers, accompanied by the relevant share certificates, and in the case of warrantholders, all duly completed subscription forms accompanied by the relevant warrant certificates and the appropriate subscription monies, must be lodged with the Company’s Branch Share Registrars in Hong Kong, Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 11 April 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

The period under review was marked by continued economic strengthening in the major global markets, particularly China where the economy continued booming at 9 percent plus growth rate. The Group enjoyed sustained demand for its products and services, which was reflected in 26 percent increase in turnover and 20 percent improvement in profit attributable to equity holders. The Group also took comfort that its customers have largely remained loyal and have indicated a continuing demand for customised solutions to meet their future growth.

Financial Results

The Group achieved a turnover of HK\$1,459 million for the six months ended 31 December 2005 (the “Period”), an increase of 26 percent as compared with HK\$1,154 million for the six months ended 31 December 2004 (the “Previous Period”). Profit attributable to equity holders was HK\$277 million, an increase of 20 per cent as compared with HK\$231 million for the Previous Period. EBITDA (earnings before interest, taxation, depreciation and amortisation) rose by 40 percent to HK\$534 million. The increase is attributable mainly to the improvement in contribution from subsidiaries and from the provision of services and software licensing. Earnings per share for the Period was HK22.0 cents (2004: HK19.3 cents). Excluding a gain of HK\$27 million on deemed disposal of interests in subsidiaries arising from a share placement by subsidiary Kantone, and before taking into account of HK\$25 million change in fair value of convertible bonds (see Note 3 for details) in line with the adoption of new accounting standards, the Group’s profit before taxation was HK\$346 million, an increase of 21 per cent over Previous Period.

The underlying strong recurrent demand for the Group’s customised solutions in wireless technologies, communications software, and Internet-related products and services is a result of ongoing investments in systems and networks which have allowed us to significantly improve customer-service metrics while driving industry-leading productivity. The Group continued to maintain a clear competitive edge in providing customised communications solutions for niche markets.

Total operating expenses have gone up largely in line with the increase in turnover and as a result of a general increase in staff costs. Distribution costs were HK\$43 million, up 47 percent, (2004: HK\$29 million) due to increased use of third parties and business partners to promote the Group’s products and services. General and administrative expenses were HK\$84 million, up 35 percent (2004: HK\$62 million). Depreciation and amortisation expenses went up 99 percent to HK\$184 million (2004: HK\$92 million), which was attributed to the roll-out of some new projects. Operating margin as a percentage of turnover remained stable at 24 percent. The Group’s profit before minority interests was also helped by increased profit contribution from subsidiaries Kantone and Digital HK.

Finance costs for the period rose slightly to HK\$4.4 million (2004: HK\$4.2 million), despite the general increase in interest rates during the period, as the Group benefited from the lower interest rate of convertible bonds.

Review of Operations

China market maintained its robust momentum in line with the country's thriving economy, generating an overall increase in capital expenditure by our customers to improve the quality of their networks in order to meet increasing demand. In particular, China's plans to develop the Northeastern and Northwestern provinces and cities have a positive impact on the demand for capital investment in telecoms infrastructure within the mainland. The success of China's aerospace projects has also accelerated investment in the telecoms and related sectors. For the six-month period, China sales accounted for HK\$1,081 million of the Group's turnover (2004: HK\$883 million).

The Group also reported stable business in Europe, where healthcare and fire services continued to be core sectors for the Group's wireless messaging solutions. During the Period, several new installations were implemented which were accompanied by enhanced applications to deliver clinical efficiency and improve emergency response times. Turnover attributable to the operations in Europe was HK\$252 million (2004: HK\$187 million).

Meanwhile, the Group's strategic investment in In-Car Telematics solutions and anti-radiation products to counteract radio emission from mobile phones continued to report steady progress. In February 2006, the Group entered into a Letter of Intent to acquire a licensed PRC systems provider in digital image capturing to pursue identity card and IT security opportunities in China. Initial due diligence is under way.

Kantone Holdings Limited (Kantone)

Kantone's performance continued to improve. It recorded a turnover of HK\$658 million, an increase of 24 percent over the Previous Period. Profit attributable to equity holders was HK\$158 million, representing an improvement of 24 percent compared with HK\$127 million of Previous Period. Its gross margin has improved to 46 percent of turnover from 41 percent of the Previous Period, due to continued investment and introduction of high value-add products. Kantone's operating margin also rose to 28 percent (excluding HK\$25.9 million change in fair value of convertible bonds) from 25 percent as a result of efficient outsourcing and cost control measures.

Sales in China was in line with the country's economic growth. With China's continued economic prosperity, Kantone's customised solutions and products have grown from strength to strength. A combination of factors such as natural economic growth, improved standards of living, and upcoming international events are growth drivers to sustain spending on telecoms and IT solutions.

In October 2005, Kantone completed its acquisition of a controlling stake in a pioneer systems developer and service provider in paperless betting systems in China, providing technological support to PRC governmental welfare lottery administrative authorities in return for recurring revenue sharing of betting turnover. Telephone betting systems in Shanghai and Shenzhen, including the launch of SMS assisted services, have proved popular, and the new e-lottery business is making a positive, albeit modest, contribution to Kantone's earnings. A third project to install the paperless betting operating system for the entire Anhui province is progressing smoothly, and is expected to be launched shortly. If paperless betting were to follow the trend of the high adoption rate of other technologies such as mobile phones and Internet usage, e-lottery will have a significant impact on China's overall lottery market.

Within Europe, UK sales registered steady growth. The award of key supplier status by the National Health Service (NHS) as part of the latter's Purchase and Supply Agency (PASA) has won Kantone a number of new contracts in the personal security arena.

In the US, Kantone continued to benefit from the Government's spectrum migration programme for public sector networks.

Meanwhile, Kantone continues to invest in research and development, and has a number of exciting new products in the development pipeline.

DIGITALHONGKONG.COM (Digital HK)

The profit contribution of Digital HK was HK\$543,000, compared with HK\$426,000 for the Previous Period. Digital HK has adapted well in the highly competitive marketplace and amidst the rapid technological changes in the IT industry. It continued to maintain momentum in its pursuit of business in relation to e-commerce solutions, and had benefited from a steadily growing customer base resulting from increased awareness of its products and services.