

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2006

### 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules ("the Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 basis except for certain financial instruments, which are measured at fair value.

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 31st March, 2006 except as described below:

In the current period, the Group has applied, for the first time, a number of new standards, amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning either on or after 1st December, 2005\*, 1st January, 2006\*\* or 1st March, 2006\*\*\*

|                                  |   |
|----------------------------------|---|
| HKAS 19 (Amendment)              | Actuarial Gains and Losses, Group Plans and Disclosures**   |
| HKAS 21 (Amendment)              | Net Investment in a Foreign Operation**   |
| HKAS 39 (Amendment)              | Cash Flow Hedge Accounting of Forecast Intragroup Transactions**  |
| HKAS 39 (Amendment)              | The Fair Value Option**   |
| HKAS 39 & HKDRS 4<br>(Amendment) | Financial Guarantee Contracts**   |
| HKFRS 6                          | Exploration for and Evaluation of Mineral Resources**   |
| HK (IFRIC) – INT 4               | Determining whether an Arrangement contains a Lease**   |
| HK (IFRIC) – INT 5               | Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**    |
| HK (IFRIC) – INT 6               | Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronics Equipment* |
| HK (IFRIC) – INT 7               | Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"***   |

The application of these new HKFRSs has had no material effect on the results and financial position for the current or prior accounting period.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The Company is still not in the position to reasonably estimate the impact that may arise from the application of these standards or interpretations.

|                     |   |
|---------------------|---|
| HKAS 1 (Amendment)  | Capital Disclosures <sup>1</sup>                        |
| HKFRS 7             | Financial Instruments: Disclosures <sup>1</sup>         |
| HK (IFRIC) – INT 8  | Scope of HKFRS 2 <sup>2</sup>                           |
| HK (IFRIC) – INT 9  | Reassessment of Embedded Derivatives <sup>3</sup>       |
| HK (IFRIC) – INT 10 | Interim Financial Reporting and Impairment <sup>4</sup> |

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1st May, 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1st June, 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1st November, 2006.

### 3. TURNOVER/SEGMENT INFORMATION

Turnover represents sales of mobile phones, business solutions and gross rental income.

For management purposes, the Group is currently organised into three divisions – sales of mobile phones, sales of business solutions and property investment.

Segment information about the Group's business is presented below:

#### For the six months ended 30th September, 2006

|                        | Sales of<br>mobile<br>phones<br>HK\$'000 | Sales of<br>business<br>solutions<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Elimination<br>HK\$'000 | Consolidated<br>HK\$'000 |
|------------------------|--|---|------------------------------------|-------------------------|--------------------------|
| <b>TURNOVER</b>        |  |   |                                    |                         |                          |
| External sales         | 357,357                                  | 40,630  | 385                                | -                       | 398,372                  |
| Inter-segment sales    | -  | -   | -                                  | -                       | -                        |
| Total turnover         | <u>357,357</u>                           | <u>40,630</u>                                 | <u>385</u>                         | <u>-</u>                | <u>398,372</u>           |
| <b>RESULTS</b>         |  |   |                                    |                         |                          |
| Segment results        | <u>3,729</u>                             | <u>197</u>                                    | <u>(414)</u>                       |                         | 3,512                    |
| Other income and gains |  |   |                                    |                         | 4,077                    |
| Finance cost           |  |   |                                    |                         | (793)                    |
| Profit before taxation |  |   |                                    |                         | 6,796                    |
| Tax expense            |  |   |                                    |                         | (1,104)                  |
| Profit for the period  |  |   |                                    |                         | <u>5,692</u>             |

For the six months ended 30th September, 2005

|  | Sales of<br>mobile<br>phones<br>HK\$'000 | Sales of<br>business<br>solutions<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Elimination<br>HK\$'000 | Consolidated<br>HK\$'000 |
|--|--|---|------------------------------------|-------------------------|--------------------------|
| <b>TURNOVER</b>  |  |   |                                    |                         |                          |
| External sales   | 533,560                                  | 44,924  | 819                                | -                       | 579,303                  |
| Inter-segment sales  | -  | -   | -                                  | -                       | -                        |
| Total turnover   | <u>533,560</u>                           | <u>44,924</u>                                 | <u>819</u>                         | <u>-</u>                | <u>579,303</u>           |
| <b>RESULTS</b>   |  |   |                                    |                         |                          |
| Segment results  | <u>10,116</u>                            | <u>403</u>                                    | <u>(39)</u>                        |                         | 10,480                   |
| Other income and gains   |  |   |                                    |                         | 2,081                    |
| Gain on disposal of investment<br>properties and leasehold land<br>and buildings |  |   |                                    |                         | 68,843                   |
| Finance cost   |  |   |                                    |                         | <u>(315)</u>             |
| Profit before taxation   |  |   |                                    |                         | 81,089                   |
| Tax expense  |  |   |                                    |                         | <u>(3,768)</u>           |
| Profit for the period  |  |   |                                    |                         | <u>77,321</u>            |

#### 4. OTHER INCOME AND GAINS

|                            | Six months ended      |                       |
|----------------------------|-----------------------|-----------------------|
|                            | 30.9.2006<br>HK\$'000 | 30.9.2005<br>HK\$'000 |
| Interest income from banks | 1,052                 | 657                   |
| Investment income          | 2,651                 | 1,027                 |
| Sundry income              | 374                   | 397                   |
|                            | <u>4,077</u>          | <u>2,081</u>          |

**5. FINANCE COSTS**

|  | Six months ended      |                       |
|--|-----------------------|-----------------------|
|  | 30.9.2006<br>HK\$'000 | 30.9.2005<br>HK\$'000 |
| Interest on obligations under hire purchase contracts          | 2                     | 3                     |
| Interest on bank borrowings wholly repayable within five years | 6                     | 7                     |
| Interest on bank borrowings wholly repayable after five years  | <u>785</u>            | <u>305</u>            |
|  | <u><u>793</u></u>     | <u><u>315</u></u>     |

**6. PROFIT BEFORE TAXATION**

|  | Six months ended      |                       |
|--|-----------------------|-----------------------|
|  | 30.9.2006<br>HK\$'000 | 30.9.2005<br>HK\$'000 |
| Profit before taxation has been arrived at after charging: |                       |                       |
| Amortisation of prepaid operating lease payments           | 304                   | 326                   |
| Depreciation   |                       |                       |
| owned assets   | 1,707                 | 1,649                 |
| assets under hire purchase contracts                       | 31                    | 29                    |
| investment properties                                      | <u>213</u>            | <u>228</u>            |
|  | <u><u>1,951</u></u>   | <u><u>1,906</u></u>   |

**7. TAX EXPENSE**

|                       | Six months ended      |                       |
|-----------------------|-----------------------|-----------------------|
|                       | 30.9.2006<br>HK\$'000 | 30.9.2005<br>HK\$'000 |
| The charge comprises: |                       |                       |
| Hong Kong Profits Tax | 1,137                 | 3,435                 |
| PRC Income Tax        | 61                    | 333                   |
| Deferred tax          | <u>(94)</u>           | <u>–</u>              |
|                       | <u><u>1,104</u></u>   | <u><u>3,768</u></u>   |

Hong Kong Profits Tax is provided at the rate of 17.5% (2005: 17.5%) on 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      |                       |
|---|-----------------------|-----------------------|
|   | 30.9.2006<br>HK\$'000 | 30.9.2005<br>HK\$'000 |
| Final dividend for the year 2006 of HK\$0.01 per ordinary share (2005: final dividend for the year 2005 of HK\$0.01 per ordinary share) | 4,621                 | 4,621                 |
| Special dividend for the year 2006 of HK\$0.04 per ordinary share   | —                     | 18,477                |
|   | <u>4,621</u>          | <u>23,098</u>         |

The directors do not recommend the payment of any interim dividend for the six months ended 30th September, 2006 (2005: 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      |                       |
|---|-----------------------|-----------------------|
|   | 30.9.2006<br>HK\$'000 | 30.9.2005<br>HK\$'000 |
| Net profit attributable to shareholders   | <u>5,895</u>          | <u>76,623</u>         |
|   | Number of shares      | Number of shares      |
| Weighted average number of ordinary shares for the purposes of calculating basic earnings per share   | 462,069,603           | 461,960,983           |
| Effect of dilutive potential ordinary shares:<br>Option   | —                     | 674,737               |
| Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share | <u>462,069,603</u>    | <u>462,635,720</u>    |

During the period ended 30th September, 2006 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. 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 aged analysis of trade debtors of HK\$57,024,000 (31st March, 2006: HK\$40,509,000) which are included in the Group's debtors, deposits and prepayments is as follows:

|               | <b>30.9.2006</b><br><b>HK\$'000</b> | 31.3.2006<br>HK\$'000 |
|---------------|-------------------------------------|-----------------------|
| 0-30 days     | <b>33,643</b>                       | 27,173                |
| 31-60 days    | <b>11,603</b>                       | 4,836                 |
| 61-90 days    | <b>3,615</b>                        | 2,885                 |
| 91-120 days   | <b>1,096</b>                        | 1,265                 |
| Over 120 days | <b>7,067</b>                        | 4,350                 |
|               | <b>57,024</b>                       | 40,509                |

The directors consider that the carrying amounts of debtors, deposits and prepayments approximate to their fair value.

## 11. CREDITORS AND ACCRUED CHARGES

The aged analysis of trade creditors of HK\$23,967,000 (31st March, 2006: HK\$25,102,000) which are included in the Group's creditors and accrued charges is as follows:

|              | <b>30.9.2006</b><br><b>HK\$'000</b> | 31.3.2006<br>HK\$'000 |
|--------------|-------------------------------------|-----------------------|
| 0-30 days    | <b>19,108</b>                       | 18,411                |
| 31-60 days   | <b>942</b>                          | 1,751                 |
| 61-90 days   | <b>44</b>                           | 480                   |
| Over 90 days | <b>3,873</b>                        | 4,460                 |
|              | <b>23,967</b>                       | 25,102                |

The directors consider that the carrying amounts of creditors and accrued charges approximate to their fair value.

## 12. 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 of related companies                            | Notes | Nature of transactions   | Six months ended      |                       |
|--|-------|--|-----------------------|-----------------------|
|  |       |  | 30.9.2006<br>HK\$'000 | 30.9.2005<br>HK\$'000 |
| HKC Intown Limited                                   | (i)   | Internet access fee paid                                       | 99                    | 104                   |
| Hong Kong Communications<br>Computer Company Limited | (i)   | Computer software<br>maintenance fee paid<br>and purchase from | -                     | 294                   |
| BIA Technology Ltd                                   | (i)   | Sales to   | -                     | 2,093                 |
| Koywa HKC Company Limited                            | (ii)  | Rental expense   | -                     | 40                    |

Notes:

- (i) These transactions were based on cost plus a percentage of profit mark-up.
- (ii) Rental expense was charged at prevailing market rates.

## 13. CONTINGENT LIABILITIES

As at 30th September, 2006, the Company has provided corporate guarantees of HK\$74,000,000 (31st March, 2006: HK\$74,000,000) to secure the banking facilities granted to subsidiary companies.

## 14. PLEDGE OF ASSETS

As at 30th September, 2006, the Group's banking facilities were secured by a bank deposit of HK\$7,798,000 (31st March, 2006: HK\$7,798,000) and first legal charge on certain leasehold land and buildings and investment properties with aggregate carrying values of HK\$76,309,000 (31st March, 2006: HK\$76,760,000).