

# NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2004, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised applicable HKASs and Hong Kong Financial Reporting Standards ("HKFRSs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2005.

The adoption of these new HKFRSs has resulted in changes to the Group's accounting policies in the following areas. However, the adoption of these new HKFRSs has had no material effect on how the results of operations and financial position of the Group are prepared and presented for the current and prior periods. Accordingly, no prior period adjustment has been required.

In accordance with the relevant transitional provisions in HKFRS 3 "Business Combinations", goodwill previously recognised in equity continues to be held in reserve and will be transferred to accumulated profits at the time when the business to which the goodwill related is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired. Goodwill will be tested for impairment annually, unless an event occurs during the period which requires the goodwill to be tested more frequently.

Financial assets included trade and other receivables, amount due from an associate and bank balances and cash. Trade and other receivables and amount due from an associate are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss account when there is objective evidence that the asset is impaired.

The adoption of HKFRS 2 "Share-based Payment" has resulted in a change in accounting policy for employee share options and other share-based payments, if any. This Standard did not apply to the outstanding share options as they were either granted before 7 November 2002 or they had vested at the effective date of the Standard.

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The Group has not early adopted in the financial statements those new HKFRSs which were effective after the balance sheet date. The Group has commenced considering the potential impact of those new Standards but is not yet in a position to determine whether they would have a significant impact on how its results of operations and financial position are presented. Those Standards may result in changes in the future as to how the results and financial position are presented.

The interim results are unaudited, but have been reviewed by the Audit Committee which is of the opinion that such financial statements complied with the applicable accounting standards, and that adequate disclosures have been made.

## 2. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging:

	<b>Six months ended 30 June</b>	
	<b>2005 (Unaudited) HK\$'000</b>	2004 (Unaudited) HK\$'000
Depreciation on fixed assets	<b>62,150</b>	47,547
Amortisation on development expenditure	<b>4,866</b>	4,824
Staff costs, inclusive of directors' remuneration	<b>81,299</b>	61,361

## 3. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2005 (Unaudited) HK\$'000</b>	2004 (Unaudited) HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	<b>5,212</b>	6,341
Finance leases	<b>153</b>	167
	<b>5,365</b>	6,508

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## 4. TAXATION

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the period. Overseas taxation is calculated at the rates prevailing in the respective jurisdiction.

## 5. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share are based on the following data:

	<b>Six months ended 30 June</b>	
	<b>2005</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2004 (Unaudited) HK\$'000
Earnings for the purposes of basic and diluted earnings per share	<b>335,770</b>	255,611
	<b>Number of</b> <b>shares</b>	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>452,422,000</b>	445,089,000
Effect of dilutive share options	<b>8,913,000</b>	10,252,000
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>461,335,000</b>	455,341,000

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## 6. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit terms ranging from 30 to 90 days to its trade customers.

	<b>30 June 2005 (Unaudited) HK\$'000</b>	31 December 2004 (Audited) HK\$'000
Aged analysis of trade receivables:		
Within 60 days	<b>520,112</b>	379,284
61 to 90 days	<b>49,589</b>	45,629
More than 90 days	<b>30,382</b>	40,022
	<b>600,083</b>	464,935
Deposits and prepayments	<b>66,386</b>	85,897
	<b>666,469</b>	550,832

## 7. TRADE AND OTHER PAYABLES

	<b>30 June 2005 (Unaudited) HK\$'000</b>	31 December 2004 (Audited) HK\$'000
Aged analysis of trade payables:		
Within 60 days	<b>400,693</b>	342,951
61 to 90 days	<b>56,046</b>	21,656
More than 90 days	<b>32,420</b>	41,838
	<b>489,159</b>	406,445
Other payables and accrued charges	<b>46,076</b>	102,018
	<b>535,235</b>	508,463