

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2001

## 1. Accounting policies

The unaudited condensed interim financial statements (“interim financial statements”) have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the compliance with the Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants, except that the comparative figures of the condensed consolidated cash flow statement have not been presented as the Group has taken advantage of the transitional provisions set out in Appendix 16 of the Listing Rules on the Stock Exchange.

These condensed interim accounts should be read in conjunction with the 2000 annual financial statements.

In the current period, the Group has adopted SSAP 30 “Business combinations” and has elected not to restate goodwill or negative goodwill previously eliminated against or credited to, respectively, reserves. Accordingly, goodwill or negative goodwill arising on acquisition prior to 1 January 2001 is held in reserves and will be charged or credited to the income statement at the time of disposal of the relevant subsidiary, associate, joint venture or business, or at such time as the goodwill is determined to be impaired.

Any goodwill arising on acquisition after 1 January 2001 will be capitalised and amortised over its estimated useful life. Any negative goodwill arising on acquisition after 1 January 2001 will be presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Except for the above changes, the accounting policies and methods of computation followed in the preparation of the interim financial statements are consistent with the latest published annual financial statements for the year ended 31 December 2000.

## 2. Segmental information

An analysis of the Group’s turnover by principal activity and geographical location, together with their respective contributions to loss from operations for the six months ended 30 June 2001 is as follows:-

	(Unaudited)		(Unaudited)	
	Six months ended 30 June		Six months ended 30 June	
	2001	2000	2001	2000
	Turnover		Loss from operations	
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
a. By activity:				
Trading and manufacturing — sale of merchandise	507,598	735,890	(59,303)	(6,213)
Information and technology related businesses	44,659	10,989	(4,078)	(1,114)
Property development and investment	2,606	1,542	1,698	1,396
Investment holding and others	—	—	(8,072)	(19,561)
	<u>554,863</u>	<u>748,421</u>	<u>(69,755)</u>	<u>(25,492)</u>
b. By geographical location*:				
United States of America	272,981	360,785	(35,753)	(7,835)
Europe	125,956	226,258	(16,702)	(1,274)
The People’s Republic of China	80,822	57,130	(5,053)	(2,965)
Japan	20,102	35,124	(4,314)	423
Hong Kong	1,842	2,104	(3,034)	(11,710)
Others	53,160	67,020	(4,899)	(2,131)
	<u>554,863</u>	<u>748,421</u>	<u>(69,755)</u>	<u>(25,492)</u>

\* Turnover by geographical locations is determined on the basis of the location where merchandise is delivered and service is rendered.

**3. Depreciation**

Loss from operations for the period is arrived at after charging depreciation of approximately HK\$26,847,000 (2000: HK\$32,389,000) in respect of the Group's fixed assets.

**4. Taxation**

Hong Kong profits tax was provided at the rate of 16% (2000: 16%) on the estimated assessable profit arising in or derived from Hong Kong. Taxes on profit assessable elsewhere have been calculated at rates of taxation prevailing in the countries in which the Group operates.

The Group received additional assessments for taxation relating to previous years. Taking into account the advice received from external professional advisers, additional provision for taxation of approximately HK\$32,641,000 has been made in the current interim results.

**5. Dividends**

The Directors do not recommend the payment of a dividend for the six months ended 30 June 2001 (2000: HK0.2 cents).

**6. Loss per share**

The calculation of basic loss per share for the period is based on the loss attributable to shareholders of approximately HK\$57,173,000 (2000: profit of HK\$15,969,000) and on the number of approximately 530,335,000 shares (2000: 530,335,000 shares) in issue during the period.

Diluted (loss) earnings per share is not shown as there is no dilution effect for both periods.

**7. Trade receivables**

The Group normally grants a credit period of 30 days to 90 days to its customers who have good payment records and a well-established relationship with the Group.

Trade receivables are stated net of provision for bad and doubtful debts, substantially with an aging within 6 months.

**8. Bank balances and cash**

Approximately HK\$20,769,000 (31 December 2000 — HK\$27,500,000) of bank deposits are pledged for the banking facilities granted to the Group.

**9. Trade payables**

Trade payables are substantially with an aging within 6 months.

**10. Post balance sheet event**

On 28 June 2001, South China Information and Technology Limited ("SCIT"), Fourseas.com Limited ("Fourseas") and Giant Glory Assets Limited (an unrelated independent third party as defined in the Listing Rules) jointly announced that the Subscription Agreement, the Disposal Agreement and the Management Agreement had been entered into on 18 June 2001, to give effect to the Financial Restructuring Proposal of Fourseas. Subsequent to the interim reporting date, the Financial Restructuring Proposal had been approved on 29 August 2001 and completed on 3 September 2001. Essentially, there is a new substantial shareholder for Fourseas, SCIT has acquired all the existing properties of Fourseas, and Fourseas' travel business has become a joint venture between its new substantial shareholder and SCIT. SCIT will retain as the sole management of Fourseas' travel business. Details of the transactions are set out in the circular of SCIT dated 2 August 2001.

**11. Comparative figures**

Certain comparative figures have been reclassified to conform with the current period's presentation.