

# Condensed Consolidated Financial Statements

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The principal accounting policies and basis of preparation adopted in preparing these condensed consolidated interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 December 2001, except that the Group has adopted the following SSAPs which are effective for accounting periods commencing on or after 1 January 2002:

- SSAP 1 (Revised): “Presentation of financial statements”
- SSAP 15 (Revised): “Cash flow statements”
- SSAP 25 (Revised): “Interim financial reporting”
- SSAP 34: “Employee benefits”

These SSAPs prescribe new accounting measurement and disclosure practices. The adoption of these SSAPs during the current financial period does not have any significant impact on the Group’s profit or shareholders’ equity, except that the presentation of certain items and balances in the condensed consolidated interim financial statements have been revised to comply with the new requirements.



# Condensed Consolidated Financial Statements

## 2. Segment information

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- information technology segment
- restaurants segment
- property investment segment
- woollen and worsted segment (discontinued in 2001 — note 4)
- corporate segment

The following table presents revenue, results and expenditure information for the Group's business segments for the six months ended 30 June 2002:

(Unaudited)	Information technology		Restaurants		Property investment		Woollen and worsted		Corporate		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	62,898	—	96,235	66,137	3,528	5,830	—	9,634	—	—	162,661	81,601
Segment results	6,913	—	2,314	2,907	2,403	5,105	—	3,639	(5,852)	(13,009)	5,778	(1,358)
Interest income											619	910
Profit/(loss) from operating activities											6,397	(448)
Finance costs											(2,514)	(5,344)
Share of profits and losses of:												
Associates	—	—	—	—	(405)	(816)	—	—	—	—	(405)	(816)
Jointly-controlled entities	—	—	—	—	—	—	—	(1,585)	—	—	—	(1,585)
Profit/(loss) before tax											3,478	(8,193)
Tax											(575)	(688)
Profit/(loss) before minority interests											2,903	(8,881)
Minority interests											304	(945)
Net profit/(loss) from ordinary activities attributable to shareholders											3,207	(9,826)
Other segment information:												
Depreciation	984	—	2,993	2,422	170	182	—	—	697	592	4,844	3,196
Amortisation	7,070	—	—	—	—	—	—	—	—	—	7,070	—

# Condensed Consolidated Financial Statements

## 3. Turnover

Revenue from the following activities has been included in the Group's turnover:

	Six months ended 30 June	
	2002	2001
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Construction contracts	49,760	—
Rendering of information technology related services	9,057	—
Receipts from restaurant operations	94,623	64,301
Gross rental income	3,528	3,633
Sales of management information products	4,081	—
Sales of dried seafood	1,612	1,836
Sales of properties held for sale	—	2,197
Sales of woollen and worsted products (discontinued operations — note 4)	—	9,634
	<b>162,661</b>	<b>81,601</b>

## 4. Discontinued operations

On 29 March 2001:

- (a) the Company's inventories of woollen and worsted products of HK\$4,662,000 were disposed to an affiliated company at net book value;

# Condensed Consolidated Financial Statements

- (b) the Company's entire 70% interest in a subsidiary, Sino Textile Enterprises Limited, and the Company's shareholder's loan of HK\$1,518,000 were disposed to an affiliated company for a cash consideration of HK\$1,518,000, resulting in a gain on disposal of HK\$911,000; and
- (c) the Company's entire 50% interest in a jointly-controlled entity, Beijing Jin Yang Worsted Co., Ltd., was disposed to an affiliated company for a cash consideration of HK\$19,619,000, resulting in a gain on disposal of HK\$2,506,000.

The gains on disposal represent the differences between the net sales proceeds and the net carrying amounts of the Group's share of assets and liabilities disposed at the time of disposal.

The Group discontinued the woollen and worsted business upon the completion of the above disposals.

## 5. Profit/(loss) from operating activities

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	4,844	3,196
Amortisation of goodwill	6,127	—
Amortisation of intangible assets	943	—
Net rental income	(2,567)	(2,619)
Gain on disposal of fixed assets	(245)	(1,777)

# Condensed Consolidated Financial Statements

## 6. Finance costs

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest expenses on bank loans, overdrafts, and other loans wholly repayable within five years	<b>2,514</b>	5,344

## 7. Tax

Hong Kong profits tax has been provided at the rate of 16% (2001 : 16%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2002.

In accordance with the relevant tax rules and regulations in the PRC, certain of the Company's PRC subsidiaries enjoy income tax exemptions and reductions. Certain PRC subsidiaries are subject to income tax rates ranging from 7.5% to 33%.

# Condensed Consolidated Financial Statements

Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2002	2001
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Group:		
Hong Kong	51	69
Elsewhere	1,066	877
Prior year's overprovision	(447)	—
Share of tax attributable to associates	(95)	(258)
	<hr/>	<hr/>
Tax charge for the period	575	688

There was no unprovided deferred tax in respect of the six months ended 30 June 2002 (2001: Nil).

## 8. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the six months ended 30 June 2002 of HK\$3,207,000 (2001: loss of HK\$9,826,000) and the weighted average of 446,258,750 (2001: 194,758,750) ordinary shares in issue during the period.

The calculation of diluted earnings per share is also based on the net profit from ordinary activities attributable to shareholders for the six months ended 30 June 2002 of HK\$3,207,000 and the weighted average of 446,258,750 ordinary shares in issue and 1,215,511 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period.

# Condensed Consolidated Financial Statements

A diluted loss per share amount for the six months ended 30 June 2001 has not been disclosed as the share options outstanding during the period had an anti-dilutive effect on the basic loss per share.

## 9. Trade receivables

The various Group companies have different credit policies, dependent on the requirements of their markets and the business which they operate. Aged analysis of trade receivables are prepared and closely monitored in order to minimise any credit risk associated with receivables.

An aged analysis of the Group's trade receivables as at 30 June 2002, based on the invoice date, and net of provisions, is as follows:

	<b>30 June</b> <b>2002</b> <i>(Unaudited)</i> <b>HK\$'000</b>	31 December 2001 <i>(Audited)</i> HK\$'000
Within 3 months	<b>54,669</b>	39,726
4 – 6 months	<b>2,182</b>	120
7 – 12 months	<b>29,915</b>	—
Over one year	<b>536</b>	254
	<b>87,302</b>	40,100

# Condensed Consolidated Financial Statements

## 10. Trade and bills payables

An aged analysis of the Group's trade and bills payables as at 30 June 2002, based on the invoice date, is as follows:

	<b>30 June</b> <b>2002</b> <i>(Unaudited)</i> <b>HK\$'000</b>	31 December 2001 <i>(Audited)</i> HK\$'000
Within 3 months	<b>13,063</b>	42,316
4 – 6 months	<b>3,428</b>	954
7 – 12 months	<b>9,584</b>	—
Over one year	<b>111</b>	—
	<b>26,186</b>	43,270



# Condensed Consolidated Financial Statements

## 11. Bank loans

	<b>30 June 2002 (Unaudited) HK\$'000</b>	31 December 2001 (Audited) HK\$'000
Bank overdrafts, secured	<b>18,293</b>	11,484
Bank loans:		
Secured	<b>11,704</b>	13,365
Unsecured	<b>47,170</b>	70,569
	<b>58,874</b>	83,934
	<b>77,167</b>	95,418
Bank overdrafts repayable within one year or on demand	<b>18,293</b>	11,484
Bank loans repayable:		
Within one year or on demand	<b>50,576</b>	73,920
In the second year	<b>3,520</b>	3,462
In the third to fifth years, inclusive	<b>3,617</b>	5,133
Beyond five years	<b>1,161</b>	1,419
	<b>58,874</b>	83,934
	<b>77,167</b>	95,418
Portion classified as current liabilities	<b>(68,869)</b>	(85,404)
Long term portion	<b>8,298</b>	10,014

# Condensed Consolidated Financial Statements

The Group's bank facilities are secured by:

- (a) mortgages over certain of the Group's investment properties which had an aggregate carrying value at 30 June 2002 of HK\$8,720,000 (31 December 2001: HK\$8,720,000);
- (b) mortgages over the Group's land and buildings which had an aggregate net book value at 30 June 2002 of HK\$51,882,000 (31 December 2001: HK\$52,564,000);
- (c) mortgages over certain of the Group's properties held for sale which had an aggregate carrying value at 30 June 2002 of HK\$11,587,000 (31 December 2001: HK\$11,587,000);
- (d) pledged bank deposits at 30 June 2002 of HK\$365,000 (31 December 2001: HK\$5,085,000); and
- (e) a guarantee amounting to HK\$47,170,000 (31 December 2001: HK\$47,170,000) given by a fellow subsidiary of the Company.

## 12. Share capital

	<b>30 June 2002 (Unaudited) HK\$'000</b>	31 December 2001 (Audited) HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$1 each	<b>1,000,000</b>	1,000,000
Issued and fully paid:		
446,258,750 ordinary shares of HK\$1 each	<b>446,259</b>	446,259

# Condensed Consolidated Financial Statements

## Share options

The Company operates a share option scheme, further details of which are set out under the heading "Share option scheme" on pages 25 to 27.

At 30 June 2002, the Company had outstanding share options entitling the holders to subscribe for 38,900,000 shares (31 December 2001: 15,200,000 shares) in the Company. No options were exercised during the six months ended 30 June 2002.

## 13. Related party transactions

In addition to the transactions and balances detailed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the six months ended 30 June 2002:

		Six months ended 30 June	
		2002	2001
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
Technical service income from a fellow subsidiary	(i)	9,057	—
Sales of materials to a company in which a director of the Company has beneficial interests	(ii)	1,612	1,836
Purchases of finished goods from a jointly-controlled entity	(ii)	—	867
Interest expenses on loans from an affiliated company of the Company's ultimate shareholder	(iii)	—	2,396

# Condensed Consolidated Financial Statements

## *Notes:*

- (i) The technical service fees were calculated at 8% to 9% of the turnover of the fellow subsidiary for the previous month.
- (ii) The sales of materials to, and the purchases of finished goods from related parties were priced at the estimated market value and manufactured costs of goods sold, respectively.
- (iii) The interest expenses on loans from the related party were charged at the Hong Kong prime rate per annum.

## **14. Capital commitment**

The Group has no material capital commitment outstanding at 30 June 2002 and 31 December 2001.

## **15. Contingent liabilities**

The Group has no material contingent liabilities outstanding at 30 June 2002 and 31 December 2001.

## **16. Approval of the condensed consolidated interim financial statements**

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 12 September 2002.