

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 and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and have been reviewed by the Company’s independent auditors, Ernst & Young.

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 2002, except that the Group has adopted the SSAP 12 (Revised) “Income Taxes” which is effective for accounting periods commencing on or after 1 January 2003. The adoption of the SSAP 12 (Revised) has had no material effect on these condensed consolidated interim 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
- corporate segment

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

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The following table presents revenue, profit and certain expenditure information for the Group's business segments:

(Unaudited)	Information technology		Restaurants		Property investment		Corporate		Eliminations		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment revenue:												
Sales to external customers	107,478	62,898	92,088	96,235	3,125	3,528	—	—	—	—	202,691	162,661
Intersegment sales	—	—	—	—	540	516	—	—	(540)	(516)	—	—
Total	107,478	62,898	92,088	96,235	3,665	4,044	—	—	(540)	(516)	202,691	162,661
Segment results	26,306	6,913	(5,940)	2,314	1,813	2,403	—	—	—	—	22,179	11,630
Interest income											453	619
Unallocated corporate expenses											(7,879)	(5,852)
Profit from operating activities											14,753	6,397
Finance costs											(3,284)	(2,514)
Share of profits and losses of:												
Associates	(274)	—	—	—	(59)	(405)	—	—	—	—	(333)	(405)
Jointly-controlled entities	343	—	—	—	—	—	—	—	—	—	343	—
Amortisation of goodwill on acquisition of a jointly-controlled entity	(225)	—	—	—	—	—	—	—	—	—	(225)	—
Profit before tax											11,254	3,478
Tax											(157)	(575)
Profit before minority interests											11,097	2,903
Minority interests											(2,972)	304
Net profit from ordinary activities attributable to shareholders											8,125	3,207
Other segment information:												
Depreciation	1,749	984	5,626	2,993	178	170	693	697	—	—	8,246	4,844
Amortisation	8,174	7,070	—	—	—	—	—	—	—	—	8,174	7,070

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3. Turnover

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

	Six months ended 30 June	
	2003 (Unaudited) HK\$'000	2002 <i>(Unaudited)</i> HK\$'000
Construction contracts	47,944	53,841
Rendering of services	59,534	9,057
Receipts from restaurant operations	91,758	94,623
Gross rental income	3,125	3,528
Sales of dried seafood	330	1,612
	202,691	162,661

4. Profit from operating activities

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

		Six months ended 30 June	
	<i>Notes</i>	2003 (Unaudited) HK\$'000	2002 <i>(Unaudited)</i> HK\$'000
Depreciation		8,246	4,844
Amortisation of goodwill	<i>(i)</i>	7,006	6,127
Negative goodwill recognised as income during the period	<i>(ii)</i>	(104)	—
Amortisation of intangible assets	<i>(iii)</i>	943	943
Loss/(gain) on disposal of fixed assets		420	(245)
Net rental income		(2,081)	(2,567)

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Notes:

- (i) The amortisation of goodwill is included in "Other operating expenses" on the face of condensed consolidated profit and loss account.
- (ii) The negative goodwill recognised as income during the period is included in "Other revenue and gains" on the face of condensed consolidated profit and loss account.
- (iii) The amortisation of intangible assets is included in "Cost of sales" on the face of condensed consolidated profit and loss account.

5. Finance costs

	Six months ended 30 June	
	2003 <i>(Unaudited)</i> HK\$'000	2002 <i>(Unaudited)</i> HK\$'000
Interest expenses on bank loans, overdrafts, and other loans wholly repayable within five years	3,284	2,514

6. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2003.

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

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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	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Group:		
Hong Kong	222	51
Elsewhere	341	1,066
Overprovision in prior years	(431)	(447)
Share of tax attributable to an associate	25	(95)
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Tax charge for the period	157	575

There was no unprovided deferred tax in respect of the six months ended 30 June 2003 (2002: Nil).

7. Earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the six months ended 30 June 2003 of HK\$8,125,000 (2002: HK\$3,207,000) and the weighted average of 464,817,548 (2002: 446,258,750) ordinary shares in issue during the period.

A diluted earnings per share amount for the six months ended 30 June 2003 has not been disclosed as the share options outstanding during the period had an anti-dilutive effect on the basic earnings per share. The calculation of comparative diluted earnings per share is also

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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 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.

8. Trade receivables

The various Group companies have different credit policies, dependent on the requirements of their markets and the business which they operate. An aged analysis of trade receivables is regularly prepared and closely monitored in order to minimise any related credit risk.

An aged analysis of the Group's trade receivables as at 30 June 2003, based on the payment due date and net of provisions, is as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Current and within 3 months	113,417	85,589
4 - 6 months	19,317	7,989
7 - 12 months	14,825	3,019
Over 1 year	8,833	1,935
	156,392	98,532

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9. Trade and bills payables

An aged analysis of the Group's trade and bills payables as at 30 June 2003, based on the invoice date, is as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Within 3 months	13,061	49,543
4 – 6 months	1,882	2,106
7 – 12 months	9,699	1,221
Over 1 year	8,338	7,558
	32,980	60,428

10. Share capital

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Authorised: 1,000,000,000 ordinary shares of HK\$1 each	1,000,000	1,000,000
Issued and fully paid: 493,981,150 (31 December 2002: 446,258,750) ordinary shares of HK\$1 each	493,981	446,259

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During the six months ended 30 June 2003, there were the following movements in share capital:

- (a) On 6 January 2003, the Company issued 12,722,400 ordinary shares of HK\$1 each at par as part of the consideration for the acquisition from independent third parties a 60% equity interest in Wisdom Elite Group Limited and its wholly-owned subsidiary.
- (b) On 30 May 2003, the Company issued 35,000,000 ordinary shares of HK\$1 each at par as part of the consideration for the acquisition from Beijing Enterprises Holdings Limited ("BEHL"), the Company's holding company, the entire share capital of Business Net Limited together with all the benefits and interest of and in the shareholder's loan amounting to RMB19,000,000 owing by Business Net Limited to BEHL.

A summary of the transactions during the six months ended 30 June 2003 with reference to the above movements in the Company's ordinary share capital is as follows:

	Number of shares in issue	Share capital HK\$'000
At 1 January 2003	446,258,750	446,259
New issue of shares for the acquisition of subsidiaries	47,722,400	47,722
At 30 June 2003	493,981,150	493,981

There were no changes to the carrying amount or the number of ordinary shares in issue during the year ended 31 December 2002.

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Share options

Details of the Company's share option scheme and the share options issued under the scheme are set out under the heading "Share option scheme" on pages 24 to 27.

11. 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 2003:

		Six months ended 30 June	
	<i>Notes</i>	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Service income from a fellow subsidiary	(i)	13,064	9,057
Sales of materials to a company in which a director of the Company has beneficial interests	(ii)	330	1,612

Notes:

- (i) The service fees were calculated at 8-9% of the turnover of the fellow subsidiary.
- (ii) The sales of materials to the related party was priced at the cost of purchases.

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12. Capital commitments

At the balance sheet date, the Group had the following capital commitments outstanding:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Capital contribution to a subsidiary:		
Authorised, but not contracted for	2,830	—
Contracted, but not provided for	19,110	—
	21,940	—

In addition, the Group's share of a jointly-controlled entity's own capital commitments at the balance sheet date, which are not included in the above, were as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Contracted, but not provided for	11,748	—

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13. Contingent liabilities

At the balance sheet date, the Company's contingent liabilities not provided for in the financial statements were as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	53,020	52,760

At 30 June 2003, the guarantees given to the banks in connection with bank facilities granted to the subsidiaries by the Company were utilised to the extent of approximately HK\$43,339,000 (31 December 2002: HK\$43,326,000).

14. 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 8 September 2003.