

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements are prepared in accordance with 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 accounting policies and basis of preparation used in the preparation of these condensed consolidated interim financial statements are consistent with those used in the preparation of the audited financial statements for the year ended 31 December 2003.

2. SEGMENT INFORMATION

The analysis of the Group's revenue and results by business and geographical segments for the six months ended 30 June 2004 are as follows:

(a) Business segments

	Information technology	Restaurants	Property investment	Corporate	Eliminations	Consolidated
(Unaudited)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2004						
Segment revenue:						
Sales to external customers	75,213	120,757	9,392	-	-	205,362
Intersegment sales	-	-	432	-	(432)	-
Total	<u>75,213</u>	<u>120,757</u>	<u>9,824</u>	<u>-</u>	<u>(432)</u>	<u>205,362</u>
Segment results	<u>(13,213)</u>	<u>7,150</u>	<u>4,666</u>	<u>-</u>	<u>-</u>	<u>(1,397)</u>
Interest income						385
Unallocated expenses						(6,577)
Loss from operating activities						(7,589)
Finance costs						(3,785)
Share of profits and losses of:						
Associates	(594)	-	(674)	-	-	(1,268)
Jointly-controlled entities	(3,023)	-	-	-	-	(3,023)
Amortisation of goodwill on acquisition of a jointly-controlled entity	<u>(1,225)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,225)</u>
Loss before tax						(16,890)
Tax						(1,468)
Loss before minority interests						(18,358)
Minority interests						1,617
Net loss from ordinary activities attributable to shareholders						<u>(16,741)</u>

2. SEGMENT INFORMATION (continued)**(a) Business segments** (continued)

	Information technology	Restaurants	Property investment	Corporate	Eliminations	Consolidated
(Unaudited)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2003						
Segment revenue:						
Sales to external customers	107,478	92,088	3,125	-	-	202,691
Intersegment sales	-	-	540	-	(540)	-
Total	<u>107,478</u>	<u>92,088</u>	<u>3,665</u>	<u>-</u>	<u>(540)</u>	<u>202,691</u>
Segment results	<u>26,306</u>	<u>(5,940)</u>	<u>1,813</u>	<u>-</u>		<u>22,179</u>
Interest income						453
Unallocated expenses						<u>(7,879)</u>
Profit from operating activities						14,753
Finance costs						<u>(3,284)</u>
Share of profits and losses of:						
Associates	(274)	-	(59)	-		(333)
Jointly-controlled entities	343	-	-	-		343
Amortisation of goodwill on acquisition of a jointly-controlled entity	<u>(225)</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>(225)</u>
Profit before tax						11,254
Tax						<u>(157)</u>
Profit before minority interests						11,097
Minority interests						<u>(2,972)</u>
Net profit from ordinary activities attributable to shareholders						<u>8,125</u>

2. SEGMENT INFORMATION (continued)

(b) Geographical segments

(Unaudited)	Mainland						Eliminations	Consolidated
	Hong Kong	China	Singapore	Indonesia	Malaysia	Thailand		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2004								
Segment revenue:								
Sales to external								
customers	8,164	104,594	35,241	29,669	20,289	7,405	-	205,362
Intersegment sales	7,367	-	15,157	-	-	-	(22,524)	-
Total	15,531	104,594	50,398	29,669	20,289	7,405	(22,524)	205,362
2003								
Segment revenue:								
Sales to external								
customers	2,319	128,249	30,100	20,571	17,915	3,537	-	202,691
Intersegment sales	6,200	-	12,980	-	-	-	(19,180)	-
Total	8,519	128,249	43,080	20,571	17,915	3,537	(19,180)	202,691

3. TURNOVER

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

	Six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Construction contracts	54,353	47,944
Rendering of services	20,860	59,534
Receipts from restaurant operations	120,453	91,758
Sales of dried seafood	304	330
Gross rental income	3,184	3,125
Sales of properties held for sale	6,208	-
	205,362	202,691

4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

		Six months ended 30 June	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
	Notes		
Depreciation		8,577	8,246
Amortisation of goodwill	(i)	8,315	7,006
Negative goodwill recognised as income during the period	(ii)	(182)	(104)
Amortisation of intangible assets	(iii)	1,132	943
Loss/(gain) on disposal of fixed assets		(35)	420
Net rental income		(1,976)	(2,081)

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	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Interest on bank loans and overdrafts		3,785	3,284

6. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2004. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

	Six months ended 30 June	
	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
Group:		
Current – Hong Kong		
Charge for the period	194	222
Overprovision in prior years	-	(581)
Current – Mainland China		
Charge for the period	300	301
Current – Overseas		
Charge for the period	951	40
Underprovision in prior years	-	150
	1,445	132
Share of tax attributable to:		
an associate	(81)	25
a jointly controlled entity	104	-
Total tax charge for the period	1,468	157

7. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders for the six months ended 30 June 2004 of HK\$16,741,000 (2003: net profit of HK\$8,125,000) and the weighted average of 493,981,150 (2003: 464,817,548) ordinary shares in issue during the period.

Diluted earnings/(loss) per share amounts for the six months ended 30 June 2004 and 2003 have not been disclosed as the share options outstanding during those periods had an anti-dilutive effect on the basic earnings/(loss) per share.

8. TRADE RECEIVABLES

The various Group companies have different credit policies, dependent on the requirements of their markets and the business which they operate. Certain customers are allowed to settle the construction contract sum by 3 annual instalments. 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 2004, based on the payment due date and net of provisions, is as follows:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Current and within 3 months	172,275	179,327
4 – 6 months	29,490	5,308
7 – 12 months	24,453	19,164
Over 1 year	21,252	18,311
	247,470	222,110
Portion classified as current assets	(208,266)	(172,744)
Long term portion	39,204	49,366

9. TRADE AND BILLS PAYABLES

An aged analysis of the Group's trade and bills payables as at 30 June 2004, based on the invoice date, is as follows:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Within 3 months	20,287	70,634
4 – 6 months	5,698	2,374
7 – 12 months	7,188	691
Over 1 year	6,818	7,833
	39,991	81,532

10. SHARE CAPITAL

Authorised:

1,000,000,000 ordinary shares of HK\$1 each

Issued and fully paid:

493,981,150 ordinary shares of HK\$1 each

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" in the section of "General Information" on pages 20 to 23.

30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
<u>1,000,000</u>	<u>1,000,000</u>
<u>493,981</u>	<u>493,981</u>

11. CONTINGENT LIABILITIES

At 30 June 2004, the Company's contingent liabilities not provided for in the condensed consolidated interim financial statements were as follows:

Guarantees given to banks in connection with facilities granted to subsidiaries

30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
<u>194,529</u>	<u>100,190</u>

At 30 June 2004, 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\$156,882,000 (31 December 2003: HK\$99,694,000).

12. CAPITAL COMMITMENTS

At 30 June 2004, the Group's shares of a jointly-controlled entity's own capital commitments were as follows:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Contracted, but not provided for	14,496	12,106

13. POST BALANCE SHEET EVENT

On 10 February 2004, the Company (and other vendors) entered into a conditional agreement with Xteam Software International Limited ("Xteam") pursuant to which the Company has agreed to transfer all its interest in its software businesses to Xteam in consideration for the issue of new shares by Xteam to the Company and the other vendors representing, in aggregate, 75% of the enlarged issued share capital of Xteam (on a fully diluted basis). The transaction was completed in August 2004 and Xteam becomes an approximately 56.29% owned subsidiary of the Company.

Xteam is a company listed on the Growth Enterprise Market operated by The Stock Exchange of Hong Kong Limited. Xteam is principally engaged in software development and provision of the Chinese Linux operating system with kernel rewritten to cater for Chinese users, and software based on the Linux operating platform for various hardware appliances including servers and personal computers in the PRC. It also provides technical support and after-sales services to its customers.

14. 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 2004:

		Six months ended 30 June	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
		Notes	
Sales of materials to a company in which a director of the Company has beneficial interests	(i)	303	330
Sales of materials to a jointly-controlled entity	(ii)	1,971	–
Service income from a fellow subsidiary	(iii)	–	13,064

Notes:

- (i) The sales of materials to the related party were priced at the cost of purchases.
- (ii) The sales of materials to the jointly-controlled entity were priced at the estimated market price.
- (iii) The service fees were charged at 8 – 9% of the turnover of the fellow subsidiary.

15. 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 of the Company on 7 September 2004.