

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and have not been audited, but have been reviewed by the Company's audit committee.

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has resolved to early adopt certain new and revised HKFRSs in the audited financial statements for the year ended 31 December 2004.

The accounting policies and basis of preparation adopted 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 in relation to the following new and revised HKFRSs that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 32: "Financial Instruments: Disclosure and Presentation"

HKAS 39: "Financial Instruments: Recognition and Measurements"

The impact of adopting HKASs 32 and 39 is summarised as follows:

Financial instruments – Equity securities

In prior periods, the Group classified its investments in equity securities as long term investments which were held for non-trading purposes and were stated at cost less any impairment losses.

Upon the adoption of HKASs 32 and 39, these securities are classified as available-for-sale investments. Available-for-sale investments are those non-derivative investments in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other categories of financial assets as defined in HKAS 39. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

1. ACCOUNTING POLICIES (continued)

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and option pricing models.

When the fair value of unlisted equity securities cannot be reliably measured because (1) the variability in the range of reasonable fair value estimates is significant for that investment, or (2) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost.

The Group assesses at each balance sheet date whether there is any objective evidence that an available-for-sale investment is impaired as a result of one or more events that occurred after the initial recognition of the assets ("loss events"), and that the loss event has an impact on the estimated future cash flows that can be reliably estimated.

If there is objective evidence of impairment, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in the profit and loss account. The amount of the loss recognised in the profit and loss account shall be the difference between the acquisition cost and current fair value, less any impairment loss on that available-for-sale investment previously recognised in the profit and loss account.

The adoption of HKASs 32 and 39 has had no material impact on the condensed consolidated interim financial statements.

2. SEGMENT INFORMATION

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

The following tables present revenue and results for the Group's primary segments.

	For the six months ended 30 June 2005				
	Information technology (Unaudited) HK\$'000	Restaurants (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Eliminations (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Revenue:					
External sales	66,884	129,910	3,740	-	200,534
Intersegment sales	-	-	451	(451)	-
	<u>66,884</u>	<u>129,910</u>	<u>4,191</u>	<u>(451)</u>	<u>200,534</u>
Other revenue and gains	2,954	320	23	-	3,297
	<u>69,838</u>	<u>130,230</u>	<u>4,214</u>	<u>(451)</u>	<u>203,831</u>
Segment results	<u>(1,731)</u>	<u>10,610</u>	<u>1,371</u>		<u>10,250</u>
Interest income					446
Unallocated corporate expenses, net					<u>(7,516)</u>
Profit from operating activities					3,180
Finance costs					<u>(4,982)</u>
Share of profits and losses of:					
Associates	(251)	-	115		(136)
Jointly-controlled entities	(1,539)	-	-		<u>(1,539)</u>
Loss before tax					<u>(3,477)</u>
Tax					<u>(1,659)</u>
Loss for the period					<u>(5,136)</u>

2. SEGMENT INFORMATION (continued)

	For the six months ended 30 June 2004				Consolidated (Restated) HK\$'000
	Information technology (Restated) HK\$'000	Restaurants (Restated) HK\$'000	Property investment (Restated) HK\$'000	Eliminations (Restated) HK\$'000	
Revenue:					
External sales	75,213	120,757	9,392	-	205,362
Intersegment sales	-	-	432	(432)	-
	<u>75,213</u>	<u>120,757</u>	<u>9,824</u>	<u>(432)</u>	<u>205,362</u>
Other revenue and gains	3,235	508	1,855	-	5,598
	<u>78,448</u>	<u>121,265</u>	<u>11,679</u>	<u>(432)</u>	<u>210,960</u>
Segment results	<u>(5,080)</u>	<u>7,150</u>	<u>4,666</u>		6,736
Interest income					385
Unallocated corporate expenses, net					<u>(6,577)</u>
Profit from operating activities					544
Finance costs					<u>(3,785)</u>
Share of profits and losses of:					
Associates	(594)	-	(593)		<u>(1,187)</u>
Jointly-controlled entities	(3,127)	-	-		<u>(3,127)</u>
Loss before tax					<u>(7,555)</u>
Tax					<u>(1,445)</u>
Loss for the period					<u>(9,000)</u>

3. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; proceeds from the sale of properties held for sale; gross rental income; and receipts from restaurant operations.

An analysis of the Group's turnover, other revenue and gains is as follows:

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Turnover		
Construction contracts	32,471	54,353
Rendering of services	34,413	20,860
Receipts from restaurant operations	129,910	120,453
Sales of dried seafood	-	304
Gross rental income	1,390	3,184
Sales of properties held for sale	2,350	6,208
	200,534	205,362
Other revenue and gains		
Government grants *	3,227	5,323
Others	95	275
	3,322	5,598

* Government grants represented government subsidies, business tax and value added tax refunds.

4. FINANCE COSTS

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Interest on bank loans and overdrafts wholly repayable within five years	4,842	3,785
Interest on an amount due to the holding company wholly repayable within five years	140	-
	4,982	3,785

5. LOSS BEFORE TAX

The Group's loss before tax was determined after charging/(crediting) the following:

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000
Depreciation	7,790	8,577
Amortisation of intangible assets *	1,156	1,132
Loss/(gain) on disposal of fixed assets	106	(35)
Impairment of available-for-sale investments	24	-

* The amortisation of intangible assets is included in "Cost of sales" on the face of condensed consolidated profit and loss account.

6. TAX

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Restated) HK\$'000
Current:		
Hong Kong profits tax	592	194
PRC corporate income tax	549	300
Overseas income tax	1,119	951
	2,260	1,445
Deferred tax	(601)	-
Total tax charge for the period	1,659	1,445

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2005. 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 People's Republic of China ("PRC"), certain of the Company's PRC subsidiaries, associates and jointly-controlled entities enjoy corporate 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%.

6. TAX (continued)

Share of tax credit attributable to an associate for the six months ended 30 June 2004 amounted to HK\$81,000 is included in "Share of profits and losses of associates" on the face of the condensed consolidated profit and loss account.

Share of tax credit attributable to a jointly-controlled entity for the six months ended 30 June 2005 amounted to HK\$32,000 (2004: tax charge of HK\$104,000) is included in "Share of profits and losses of jointly-controlled entities" on the face of the condensed consolidated profit and loss account.

7. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 2005 is based on the loss attributable to equity holders of the parent of HK\$8,477,000 and the 493,981,150 ordinary shares in issue during the period.

The basic loss per share for the six months ended 30 June 2004, as previously reported 3.39 HK cents, has been restated and is based on the restated loss attributable to equity holders of the parent of HK\$7,383,000 and the 493,981,150 ordinary shares in issue during the period.

Diluted loss per share amounts for the six months ended 30 June 2005 and 2004 have not been disclosed as the share options outstanding during those periods had an anti-dilutive effect on the basic loss per share.

8. DIVIDEND

The directors resolved not to pay an interim dividend to shareholders (2004: Nil).

9. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Unlisted equity investments, at cost	2,066	2,066
Provision for impairment	(131)	(107)
	<u>1,935</u>	<u>1,959</u>

Certain unlisted equity investments of the Group are not stated at fair value but at cost less any accumulated impairment losses, because they do not have a quoted market price in an active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

10. TRADE AND BILLS RECEIVABLES

The various Group companies have different credit policies, dependent on the requirements of their markets and the businesses which they operate. Certain customers are allowed to settle the construction contract sum by three annual instalments. An aged analysis of trade and bills receivables is regularly prepared and closely monitored in order to minimise any related credit risk.

An aged analysis of the Group's trade and bills receivables as at the balance sheet date, based on the payment due date and net of provision for impairment, is as follows:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Current and within 3 months	202,196	228,518
4 – 6 months	13,866	616
7 – 12 months	15,322	40,344
Over 1 year	21,454	19,847
	<u>252,838</u>	<u>289,325</u>
Portion classified as current assets	(238,171)	(220,015)
Long term portion	<u>14,667</u>	<u>69,310</u>

11. TRADE AND BILLS PAYABLES

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

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Within 3 months	37,699	88,924
4 – 6 months	15,371	192
7 – 12 months	5,915	1,646
Over 1 year	5,677	5,966
	<u>64,662</u>	<u>96,728</u>

12. SHARE CAPITAL

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Authorised: 1,000,000,000 ordinary shares of HK\$1 each	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid: 493,981,150 ordinary shares of HK\$1 each	<u>493,981</u>	<u>493,981</u>

Details of the share options granted by the Company in the prior years to the directors and employees are set out under the heading "Share option scheme" in the section of "General Information" on pages 26 to 28.

13. RESERVES

	Asset revaluation reserve (Unaudited) HK\$'000	PRC reserve funds (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Accumulated losses (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000
At 1 January 2004						
As previously reported	33,643	24,633	(2,957)	55,319	(87,125)	49,742
Prior period adjustment:						
HKFRS 3 – Derecognition of negative goodwill	-	-	-	-	2,912	-
As restated	33,643	24,633	(2,957)	55,319	(84,213)	49,742
Exchange realignment	-	-	5	5	-	5
Loss for the period (as restated)	-	-	-	-	(7,383)	(1,617)
Transfer to PRC reserve funds	-	1,095	-	1,095	(1,095)	-
Transfer to accumulated losses	(460)	-	-	(460)	460	-
Capital contributed by minority shareholders	-	-	-	-	-	462
At 30 June 2004 and 1 July 2004 (as restated)	33,183	25,728	(2,952)	55,959	(92,231)	48,592
Exchange realignment	-	-	33	33	-	8
Profit for the period	-	-	-	-	22,269	15,650
Transfer to PRC reserve funds	-	2,669	-	2,669	(2,669)	-
Transfer to accumulated losses	(462)	-	-	(462)	462	-
Dividends to minority shareholders	-	-	-	-	-	(1,034)
Capital contributed by minority shareholders	-	-	-	-	-	102
Acquisition of subsidiaries	-	-	-	-	-	7,749
At 31 December 2004 and 1 January 2005	32,721	28,397	(2,919)	58,199	(72,169)	71,067
Exchange realignment	-	-	289	289	-	(649)
Profit/(loss) for the period	-	-	-	-	(8,477)	3,341
Transfer to PRC reserve funds	-	613	-	613	(613)	-
Transfer to accumulated losses	(460)	-	-	(460)	460	-
Dividends to minority shareholders	-	-	-	-	-	(866)
Acquisition of a subsidiary	-	-	-	-	-	2,231
At 30 June 2005	32,261	29,010	(2,630)	58,641	(80,799)	75,124

14. ACQUISITION OF A SUBSIDIARY

On 1 January 2005, Beijing Enterprises Teletron Information Technology Limited, a non-wholly owned subsidiary of the Company, acquired from independent third parties a 51% equity interests in 北京博大電信通網絡技術有限公司 (previously named as 北京博大數文網絡科技發展有限公司) (「博大電信通」) for a cash consideration of RMB4.08 million (approximately HK\$3,849,000). 博大電信通 is principally engaged in the provision of networking technology in Beijing.

The fair value of the identifiable assets and liabilities of 博大電信通 acquired as at the date of acquisition is as follows:

	HK\$'000
Fixed assets	72
Inventories	25
Trade receivables	9
Other receivables, prepayment and deposits	392
Cash and bank balances	6,850
Other payables and accruals	(2,795)
Minority interests	(2,231)
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Fair value of net assets	2,322
Goodwill on acquisition	1,527
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	3,849

15. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	Notes	For the six months ended 30 June	
		2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Transactions with the holding company:			
Interest expense	(i)	140	–
Transactions with a jointly-controlled entity:			
Sale of goods	(ii)	805	1,971
Purchase of goods	(ii)	932	–
Transactions with companies in which directors of the Group have beneficial interests:			
Sale of goods	(ii)	195	303
		<hr/>	<hr/>

Notes:

- (i) The interest on an amount due to the holding company was charged at 4% per annum.
- (ii) The sale of goods to and purchase of goods from related parties were priced at the estimated market prices.

15. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Due from related parties:		
Fellow subsidiaries	2,455	2,455
Jointly-controlled entities	3,193	3,952
Minority shareholders	3,414	3,165
Joint venture partner of a jointly-controlled entity	1,340	–
Companies in which directors of the Company have beneficial interests	54,801	48,516
Due to related parties:		
Holding company	12,000	–
Jointly-controlled entities	1,112	10
Minority shareholders	10,727	11,885
Companies in which directors of the Company have beneficial interests	2,822	2,433

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Short term employee benefits	3,231	2,273
Post-employment benefits	39	50
Total compensation paid to key management personnel	3,270	2,323

16. CONTINGENT LIABILITIES

As at 30 June 2005, the Group had no material contingent liabilities not provided for in the condensed consolidated interim financial statements.

17. CAPITAL COMMITMENTS

At 30 June 2005, the Group's share of a jointly-controlled entity's own capital commitments were as follows:

	30 June 2005 (Unaudited) HK\$'000	31 December 2004 (Audited) HK\$'000
Contracted, but not provided for	<u>22,526</u>	<u>25,702</u>

18. APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 8 September 2005.