

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed interim consolidated financial statements for the six months ended 30 June 2006 are prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". The accounting policies and basis of preparation adopted in the preparation of these interim financial statements are as the same as those used in the annual financial statements for the year ended 31 December 2005.

These interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

2. SEGMENT INFORMATION

The Group's operating businesses are organised 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 the other business segments.

2. SEGMENT INFORMATION (continued)

The following tables present revenue and profit/(loss) for the Group's business segments.

| | Six months ended 30 June 2006 | | | | |
|--|--|--|---|---|---|
| | Information technology (Unaudited) HK\$'000 | Restaurants (Unaudited) HK\$'000 | Property investment (Unaudited) HK\$'000 | Eliminations (Unaudited) HK\$'000 | Consolidated (Unaudited) HK\$'000 |
| | | | | | |
| Segment revenue: | | | | | |
| Sales to external customers | 43,491 | 132,290 | 969 | - | 176,750 |
| Intersegment sales | - | - | 225 | (225) | - |
| Other income and gains, net | 7,789 | 308 | - | - | 8,097 |
| Total | <u>51,280</u> | <u>132,598</u> | <u>1,194</u> | <u>(225)</u> | <u>184,847</u> |
| Segment results | <u>(16,661)</u> | <u>7,380</u> | <u>(240)</u> | | <u>(9,521)</u> |
| Bank interest income | | | | | 635 |
| Unallocated corporate expenses, net | | | | | (6,999) |
| Finance costs | | | | | (4,206) |
| Share of profits and losses of: | | | | | |
| Associates | (155) | - | (115) | | (270) |
| Jointly-controlled entities | (922) | - | - | | (922) |
| Loss before tax | | | | | <u>(21,283)</u> |
| Tax | | | | | <u>(1,947)</u> |
| Loss for the period | | | | | <u>(23,230)</u> |

2. SEGMENT INFORMATION (continued)

| | Six months ended 30 June 2005 | | | | Consolidated (Unaudited) HK\$'000 |
|--|--|--|---|---|---|
| | Information technology (Unaudited) HK\$'000 | Restaurants (Unaudited) HK\$'000 | Property investment (Unaudited) HK\$'000 | Eliminations (Unaudited) HK\$'000 | |
| Segment revenue: | | | | | |
| Sales to external customers | 66,884 | 129,910 | 3,740 | - | 200,534 |
| Intersegment sales | - | - | 451 | (451) | - |
| Other income and gains, net | 2,954 | 320 | 23 | - | 3,297 |
| Total | <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> | | 10,250 |
| Bank interest income | | | | | 446 |
| Unallocated corporate expenses, net | | | | | (7,516) |
| Finance costs | | | | | (4,982) |
| Share of profits and losses of: | | | | | |
| Associates | (251) | - | 115 | | (136) |
| Jointly-controlled entities | (1,539) | - | - | | (1,539) |
| Loss before tax | | | | | (3,477) |
| Tax | | | | | (1,659) |
| Loss for the period | | | | | <u>(5,136)</u> |

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's 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 revenue, other income and gains is as follows:

| | Six months ended 30 June | |
|--|--|---------------------------------|
| | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| Revenue | | |
| Construction contracts | 21,401 | 32,471 |
| Rendering of services | 22,091 | 34,413 |
| Receipts from restaurant operations | 131,658 | 129,910 |
| Sales of dried seafood | 631 | – |
| Gross rental income | 969 | 1,390 |
| Sales of properties held for sale | – | 2,350 |
| | 176,750 | 200,534 |
| Other income and gains, net | | |
| Imputed interest on interest-free trade and other receivables | 6,473 | – |
| PRC and overseas tax subsidies | 1,313 | 3,227 |
| Others | 342 | 95 |
| | 8,128 | 3,322 |

4. FINANCE COSTS

| | Six months ended 30 June | |
|--|--|---------------------------------|
| | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| Interest on bank loans and overdrafts | 3,206 | 4,842 |
| Interest on loan from an intermediate holding company | 1,000 | 140 |
| | 4,206 | 4,982 |

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

| | Six months ended 30 June | |
|---|--|---------------------------------|
| | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| Depreciation | 5,498 | 7,790 |
| Amortisation of other intangible assets * | 1,178 | 1,156 |

* The amortisation of intangible assets is included in "Cost of sales" on the face of the condensed consolidated income statement.

6. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2006. 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 | |
|---|--|---------------------------------|
| | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| Current – Hong Kong | | |
| Charge for the period | 150 | 592 |
| Current – Elsewhere | | |
| Charge for the period | 1,817 | 1,288 |
| Under/(over) provision in prior periods | (20) | 380 |
| Deferred | - | (601) |
| Total tax charge for the period | 1,947 | 1,659 |

The share of tax attributable to a jointly-controlled entity for the six months ended 30 June 2006 amounted to HK\$1,000 (2005: tax credit of HK\$32,000) is included in "Share of profits and losses of jointly-controlled entities" on the face of the condensed consolidated income statement.

7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share amounts for the six months ended 30 June 2006 is based on the loss attributable to ordinary equity holders of the parent of HK\$18,039,000 (2005: HK\$8,477,000) and the 493,981,150 (2005: 493,981,150) ordinary shares in issue during the period.

Diluted loss per share amounts for the six months ended 30 June 2006 and 2005 have not been disclosed as the share options outstanding during those periods had an anti-dilutive effect on the basic loss per share for the periods.

8. INTERIM DIVIDEND

The board of directors does not recommend the payment of an interim dividend for the six months ended 30 June 2006 (2005: Nil).

9. TRADE AND BILLS RECEIVABLES

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

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 impairment, is as follows:

| | 30 June 2006 (Unaudited) HK\$'000 | 31 December 2005 (Audited) HK\$'000 |
|--------------------------------------|--|--|
| Current and within 3 months | 157,269 | 177,682 |
| 4 to 6 months | 5,901 | 4,022 |
| 7 to 12 months | 5,129 | 12,668 |
| Over 1 year | 16,183 | 20,872 |
| | 184,482 | 215,244 |
| Portion classified as current assets | (172,778) | (182,042) |
| Long term portion | 11,704 | 33,202 |

10. TRADE AND BILLS PAYABLES

The trade payables are non-interest-bearing and normally settled on 30 to 90 days.

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 2006 (Unaudited) HK\$'000 | 31 December 2005 (Audited) HK\$'000 |
|-----------------|--|--|
| Within 3 months | 32,263 | 47,754 |
| 4 to 6 months | 1,845 | 2,332 |
| 7 to 12 months | 8,589 | 3,038 |
| Over 1 year | 9,796 | 9,515 |
| | <u>52,493</u> | <u>62,639</u> |

11. SHARE CAPITAL

| | 30 June 2006 (Unaudited) HK\$'000 | 31 December 2005 (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> |

Share options

Details of the Company's share options scheme and the share options issued under the scheme are set out under the heading "Share Option Schemes" in the section of "General Information" on pages 27 to 30.

12. CONTINGENT LIABILITIES

At 30 June 2006, the Company's contingent liabilities not provided for in the condensed consolidated financial statements were as follows:

| | 30 June 2006 (Unaudited) HK\$'000 | 31 December 2005 (Audited) HK\$'000 |
|--|--|--|
| Guarantees given to banks in connection with facilities granted to subsidiaries | <u>150,341</u> | <u>222,456</u> |

At 30 June 2006, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK\$100,422,000 (31 December 2005: HK\$100,681,000).

13. CAPITAL COMMITMENTS

At 30 June 2006, the Group's share of a jointly-controlled entity's own capital commitments is as follows:

| | 30 June 2006 (Unaudited) HK\$'000 | 31 December 2005 (Audited) HK\$'000 |
|----------------------------------|--|--|
| Contracted, but not provided for | <u>23,152</u> | <u>22,797</u> |

14. RELATED PARTY TRANSACTIONS**(a) Transactions with related parties**

| | | Six months ended 30 June | |
|---|-------|--|---------------------------------|
| | | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| | Notes | | |
| Interest expense on loan from an intermediate holding company | (i) | 1,000 | 140 |
| Jointly-controlled entities: | | | |
| Sale of products | (ii) | - | 805 |
| Purchases of products | (ii) | - | 932 |
| Entities in which directors of the Group have beneficial interests: | | | |
| Sales of products | (ii) | 631 | 195 |

Notes:

- (i) The interest expense on loan from an intermediate holding company was charged at 4% per annum on the outstanding loan principal.
- (ii) The sale to and purchases from related parties were priced at the estimated market prices.

14. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

| | Notes | 30 June 2006 (Unaudited) HK\$'000 | 31 December 2005 (Audited) HK\$'000 |
|--|-------|--|--|
| Due from related parties: | | | |
| Fellow subsidiaries | | 2,488 | 2,488 |
| A jointly-controlled entity | | 1,387 | 3,251 |
| An associate | | 4 | 4 |
| Minority shareholders | | 120 | 24 |
| Companies in which directors of the Company have beneficial interest | (ii) | 32,130 | 26,245 |
| Due to related parties: | | | |
| An intermediate holding company (iii) | | 51,623 | 50,623 |
| A jointly-controlled entity | | 1,406 | 1,065 |
| Associates | | 1,933 | 2,904 |
| Minority shareholders | | 10,532 | 11,198 |
| Companies in which directors of the Company have beneficial interest | | 3,279 | 2,990 |

Notes:

- (i) Unless otherwise stated, the balances with related parties are unsecured, interest-free and have no fixed terms of repayment
- (ii) Certain amounts due from related companies of HK\$22,480,000 (31 December 2005: HK\$23,189,000) are secured and repayable by instalment up to the year 2008.
- (iii) An amount due to an intermediate holding company of HK\$50,000,000 (31 December 2005: HK\$50,000,000) bears interest at 4% per annum and is repayable within one year.

14. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the group

| | Six months ended 30 June | |
|--|--|---------------------------------|
| | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| Short term employee benefits | 1,947 | 3,231 |
| Post-employment benefits | 36 | 39 |
| Total compensation paid to key management personnel | 1,983 | 3,270 |

15. APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated financial statements were approved and authorised for issue by the board of directors on 13 September 2006.