

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

These condensed interim financial statements should be read in conjunction with the 2002 annual report.

The accounting policies adopted in preparing these unaudited condensed interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31 March 2002, except that the Group has adopted the following SSAPs issued by the Hong Kong Society of Accountants which are effective for accounting period commencing on or after 1 January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 25 (revised):	Interim financial reporting
SSAP 33:	Discontinuing operations
SSAP 34:	Employee benefits

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity and has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

## 2. Segmental information

### a. Business segments

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

	Building service contracting business		Project management		Tiding of electrical and mechanical engineering materials and equipment		(Discontinued) Provision of broadband connectivity services		(Discontinued) Provision of design, installation and maintenance services of karaoke-on-demand systems		Eliminations		Consolidated	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Segment revenue:														
Sales to external customers	235,824	298,990	3,227	2,085	29,022	31,076	291	11,437	—	11,048	—	—	268,264	354,636
Inter segment sales	5	171	—	—	5,376	12,274	—	—	—	—	(5,381)	(12,445)	—	—
Total revenue	<u>235,829</u>	<u>299,161</u>	<u>3,227</u>	<u>2,085</u>	<u>34,398</u>	<u>43,350</u>	<u>291</u>	<u>11,437</u>	<u>—</u>	<u>11,048</u>	<u>(5,381)</u>	<u>(12,445)</u>	<u>268,264</u>	<u>354,636</u>
Segment results	<u>4,930</u>	<u>2,401</u>	<u>3,227</u>	<u>2,085</u>	<u>1,110</u>	<u>(505)</u>	<u>(458)</u>	<u>(3,910)</u>	<u>—</u>	<u>(3,833)</u>	<u>—</u>	<u>—</u>	<u>8,809</u>	<u>(3,762)</u>
Interest income and unallocated gains													1,361	1,106
Unrealised holding losses on other investments													(1,078)	—
Finance costs													(1,190)	(2,514)
Share of losses of associates													—	(5,264)
Profit (Loss) before tax													7,902	(10,534)
Tax													(1,877)	(1,739)
Profit (Loss) before minority interests													6,025	(12,273)
Minority interests													(4,965)	1,565
Net Profit (Loss) from ordinary activities attributable to shareholders													<u>1,060</u>	<u>(10,708)</u>

### b. Geographical segments

The Group's turnover was all derived from its operations and customers in Hong Kong. Accordingly, no analysis for geographical segments has been disclosed.

### 3. Profit (Loss) from operating activities

Profit (Loss) from operating activities is arrived at after charging/(crediting):

	Six months ended 30 September	
	2002	2001
	(unaudited)	(unaudited and restated)
	HK\$'000	HK\$'000
Depreciation		
– owned fixed assets	1,577	2,598
– fixed assets held under finance lease	108	251
Minimum lease payments under operating leases in respect of land and buildings	1,226	1,833
Staff costs (including directors' remuneration)		
Wages and salaries	32,018	42,820
Net pension contributions	1,158	1,713
	<u>33,176</u>	<u>44,533</u>
Loss on disposal of fixed assets	467	—
Interest income	(321)	(969)
	<u>467</u>	<u>(969)</u>

### 4. Finance costs

	Six months ended 30 September	
	2002	2001
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interest on overdrafts and short term loans	850	1,989
Interest on finance leases	45	100
Bank charges	295	425
	<u>1,190</u>	<u>2,514</u>

## 5. Taxation

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 16% (2001 – 16%) on the estimated assessable profits arising in or from Hong Kong.

Taxation in the condensed consolidated profit and loss account comprises:

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Group:		
Hong Kong	1,877	1,739
Deferred	—	—
	<u>1,877</u>	<u>1,739</u>
Share of tax attributable to associates	—	—
Tax charge for the period	<u>1,877</u>	<u>1,739</u>

## 6. Earnings (Loss) per share

	Six months ended 30 September	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Earnings (Loss) for the purposes of computing basic and diluted earnings (loss) per share	<u>1,060</u>	<u>(10,708)</u>
Number of ordinary shares:		
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	463,721,600	386,746,600
Effect of dilutive share option	—	4,846
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	<u>463,721,600</u>	<u>386,751,446</u>

Diluted loss per share for six months ended 30 September 2001 had not been shown as the share options outstanding during that period had an anti-dilutive effect on the basic loss per share for that period.

## 7. Additions to fixed assets

During the period, the Group spent approximately HK\$493,000 (six months ended 30 September 2001: HK\$4,526,000) to meet its operations.

## 8. Long term investments

	<b>30 September 2002 (unaudited) HK\$'000</b>	31 March 2002 (audited) HK\$'000
Investment securities:		
Unlisted investments	—	—
Other investments:		
Listed equity investments in Hong Kong, at market value	332	1,410
Unlisted investments, at fair value	<b>19,495</b>	18,505
	<b>19,827</b>	19,915
Total investments	<b><u>19,827</u></b>	<b><u>19,915</u></b>

## 9. Trade receivables

An ageing analysis for trade receivables (after netting off provision for bad debts) is as follow:

	<b>30 September 2002 (unaudited) HK\$'000</b>	31 March 2002 (audited) HK\$'000
0 – 30 days	<b>85,983</b>	58,855
31 – 60 days	<b>15,335</b>	12,220
61 – 90 days	<b>10,158</b>	18,012
Over 90 days	<b>38,691</b>	51,791
	<b><u>150,167</u></b>	<b><u>140,878</u></b>

The Group grants its trade customers with credit period normally ranging from cash on delivery to 60 days. A longer credit period is granted to a few customers with long business relationship and strong financial position.

## 10. Trade payables

An ageing analysis for trade payables is as follows:

	<b>30 September 2002 (unaudited) HK\$'000</b>	31 March 2002 (audited) HK\$'000
0 – 30 days	<b>23,091</b>	10,490
31 – 60 days	<b>6,340</b>	15,515
Over 60 days	<b>9,316</b>	13,639
	<b><u>38,747</u></b>	<b><u>39,644</u></b>

## 11. Share capital

	<b>30 September 2002 (unaudited) HK\$'000</b>	31 March 2002 (audited) HK\$'000
<i>Authorised:</i>		
800,000,000 ordinary shares of HK\$0.1 each	<u><b>80,000</b></u>	<u>80,000</u>
<i>Issued and fully paid:</i>		
463,721,600 ordinary shares of HK\$0.1 each	<u><b>46,372</b></u>	<u>46,372</u>

No options to subscribe for shares in the Company have been granted pursuant to the Share Option Scheme for the six months ended 30 September 2002.

## 12. Contingent liabilities

As at 30 September 2002, contingent liabilities not provided for in the financial statements were as follows:

	<b>30 September 2002 (unaudited) HK\$'000</b>	31 March 2002 (audited) HK\$'000
Guarantees given to banks in connection with banking facilities granted to subsidiaries	<u><b>91,000</b></u>	<u>91,000</u>

## 13. Commitments

As at 30 September 2002, neither the Group, nor the Company had any significant commitments.

## 14. Operating lease arrangements

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

As at 30 September 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 September 2002 (unaudited) HK\$'000</b>	31 March 2002 (audited) HK\$'000
Within one year	<b>1,634</b>	3,808
In the second to fifth years, inclusive	<b>834</b>	1,566
After five years	<u>—</u>	<u>—</u>
	<u><b>2,468</b></u>	<u>5,374</u>

## 15. Related party transactions

Particulars of significant transactions between the Group and related companies were summarized below:

	Six months ended	
	30 September	
	2002	2001
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Billing of building maintenance works and building services installation works to Chinney Construction Company Limited ( <i>Note a</i> )	<u>120,982</u>	<u>46,998</u>
Payment to Diyixian.com Limited (“Diyixian”) of rental of server co-location at Diyixian’s data centres and for access to the Internet together with related setup charges ( <i>Note b</i> )	<u>192</u>	<u>945</u>
Purchase of merchandise from Chinney Alliance Engineering Limited ( <i>Note c</i> )	<u>295</u>	<u>483</u>

*Notes:*

- a. Chinney Construction Company Limited is a company in which Mr. Wong Sai Wing, James and Mr. Chan Yuen Keung, Zuric, directors of the Company, have indirect beneficial interest.
- b. Diyixian is a minority shareholder of Speedlink Limited, a subsidiary of the Company. Speedlink Limited had commenced creditors’ voluntary winding up on 19 August 2002.
- c. Chinney Alliance Engineering Limited is a wholly-owned subsidiary of Chinney Alliance Group Limited which, a company listed on The Stock Exchange of Hong Kong Limited, is a substantial shareholder of the Company. Mr. Wong Sai Wing, James and Mr. Yu Sek Kee, Stephen, directors of the Company, are also the directors of Chinney Alliance Group Limited.

In the opinion of the directors of the Company, all the above transactions were undertaken in the normal course of business and were conducted on normal commercial terms on an arm’s length basis.

## 16. Comparative amounts

Certain comparative amounts had been reclassified to conform with the current period’s presentation.