1. CORPORATE INFORMATION

During the year, the principal activities of the Group consisted of investment holding, securities dealing and broking, financing business, general import and export trading and property development and investment.

2. IMPACT OF NEW/REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") ADOPTED BEFORE THEIR EFFECTIVE DATES

The followings SSAPs have been early adopted before their effective dates in the preparation of the current year consolidated financial statements, together with a summary of their major effects where applicable.

- SSAP 9 (revised) — Events after the Balance Sheet Date
- SSAP 28 — Provisions, Contingent Liabilities and Contingent Assets
- SSAP 29 — Intangible Assets
- SSAP 30 — Business Combinations
- SSAP 31 — Impairment of Assets
- SSAP 32 — Consolidated Financial Statements and Accounting for Investments in Subsidiaries

SSAP 9 (revised) prescribes the accounting treatment and disclosures for events occurring after the balance sheet date. The effect of the prior year adjustment arising from the adoption of the SSAP is set out in note 4(b) to the financial statements.

SSAP 28 prescribes the accounting treatment and disclosures of provisions, contingent liabilities and contingent assets, and has had no major impact for these financial statements.

SSAP 29 prescribes accounting treatment and disclosures of intangible assets, and has had no major impact on these financial statements.

SSAP 30 prescribes the accounting treatment and disclosures for business combinations. The accounting policies for goodwill and negative goodwill which have been changed in accordance with the SSAP are set out in note 3 below. The effect of the prior year adjustment arising from the adoption of the SSAP is detailed in note 4(a) to the financial statements. Additional disclosures as required are included in note 18 to the financial statements.

SSAP 31 requires enterprises to consider whether assets are carried in excess of their recoverable amounts and prescribes the accounting treatment of any resulting impairment losses. The effect of the prior year adjustment arising from the adoption of the SSAP is set out in note 4(a) to the financial statements. The impairment losses recognised during the year and additional disclosures as required are disclosed in notes 14, 17 and 21 to the financial statements.

2. IMPACT OF NEW/REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") ADOPTED BEFORE THEIR EFFECTIVE DATES *(Continued)*

SSAP 32 prescribes the accounting treatment and disclosures in the preparation and presentation of consolidated financial statements, and has had no major impact for these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the remeasurement of investment properties, long term investments and short term investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances have been eliminated in full on consolidation.

Goodwill

Goodwill arising on the consolidation of subsidiaries and on acquisition of associates represents the excess of purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is amortised on a straight-line basis over five years. On disposal of subsidiaries and associates, the relevant portion of attributable goodwill, net of accumulated amortisation and any impairment losses is included in the calculation of the gain or loss on disposal.

At each balance sheet date, an assessment is made whether there is any indication of impairment or any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. Where carrying amounts exceeds this estimated recoverable amounts, assets are written down to their recoverable amounts.

This revised accounting treatment for goodwill has resulted in a prior year adjustment, further details of which are included in note 4(a) to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Negative goodwill

Negative goodwill arising on the consolidation of subsidiaries and on acquisition of associates represents the excess of the fair values ascribed to the net underlying assets acquired over the purchase consideration paid and is recognised as income on a straight-line basis over five years. On disposal of subsidiaries and associates, the relevant portion of attributable negative goodwill, net of accumulated amount recognised as income is included in the calculation of the gain or loss on disposal.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been impairment losses, when they are written down to values determined by the directors.

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of not less than 20% of the equity voting rights and over whose financial and operating policy decisions the Group is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses other than temporary in nature, deemed necessary by the directors.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are stated at cost less any impairment losses.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance costs, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost thereof.