



## Notes to Financial Statements

31 March 2001

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

#### Revenue recognition *(Continued)*

- (e) commission and brokerage income on securities dealing, on the trade date basis;
- (f) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable;
- (g) rental income, on the straight-line basis over the lease terms; and
- (h) dividends, when the shareholders' right to receive payment is established.

#### Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends are approved by the shareholders and declared they are recognised as a liability.

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

### 4. PRIOR YEAR ADJUSTMENTS

- (a) In prior years, goodwill arising on consolidation of subsidiaries and on acquisition of associates was eliminated against reserves in the year in which it arose. During the year, the Group early adopted SSAP 30 "Business combinations", and goodwill is now stated at cost and is amortised on a straight-line basis over five years. Accordingly, prior year adjustments have been made in the current year financial statements, the principal effects of which are to:
  - (i) increase the contributed surplus, accumulated losses and intangible assets at 1 April 1999 by HK\$9,275,000, HK\$5,565,000 and HK\$3,710,000, respectively, to reflect changes in the Group's reserves and assets prior to 1 April 1999;
  - (ii) decrease the net profit attributable to shareholders for the year ended 31 March 2000 and the intangible assets at that date by HK\$1,855,000, to reflect the amortisation of goodwill for the year ended 31 March 2000; and
  - (iii) decrease the net profit attributable to shareholders for the year ended 31 March 2000 and increase the contributed surplus at that date by HK\$116,000, to reflect the impairment loss of goodwill on acquisition of a subsidiary in that year.



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#### 4. PRIOR YEAR ADJUSTMENTS (Continued)

- (b) During the year, the Group early adopted the revised SSAP 9 “Events after the balance sheet date”. To comply with the revised SSAP, a prior year adjustment has been made, reclassifying the proposed final dividend for the year ended 31 March 2000 of HK\$4,378,000, which was recognised as a liability in the prior year, to the proposed final dividend account within the capital and reserves section of the balance sheet.

#### 5. TURNOVER AND REVENUE

	Group	
	2001 HK\$'000	2000 HK\$'000
Invoiced value of goods sold, net of returns and allowances	109,935	114,531
Gross rental income	151	181
Commission and brokerage income from securities dealing	17,145	20,232
Interest income from financing business	27,377	11,969
<b>Turnover</b>	<b>154,608</b>	<b>146,913</b>
Interest income	13,565	15,093
Dividend income from an unlisted investment	18,337	—
Gain on disposal of long term investments	30,083	—
Negative goodwill recognised as income	2,164	—
Other income	20,534	9,270
<b>Other revenue</b>	<b>84,683</b>	<b>24,363</b>
	<b>239,291</b>	<b>171,276</b>



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### 6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

This is arrived at after charging/(crediting):

	Group	
	2001	2000
	HK\$'000	HK\$'000
Depreciation:		
Owned assets	1,534	1,432
Assets held under hire purchase contracts	285	324
	1,819	1,756
Staff costs (including directors' remuneration):		
Wages and salaries	20,665	14,983
Pension contributions	461	553
Less: Forfeited contributions*	(91)	(165)
	370	388
	21,035	15,371
Auditors' remuneration	936	780
Operating lease rentals for land and buildings	2,281	2,789
Reversal of provision for doubtful debts	(12,446)	(30,049)
Loss on disposal of fixed assets	714	41
Exchange losses, net	179	498
Other expenses:		
Provisions against accounts and loans receivable	20,387	12,228
Revaluation deficit of investment properties	300	447
Loss on disposal of investment properties	2,588	—
Provision against amounts due from associates	—	419
Others	1,500	—
	24,775	13,094
Gross and net rental income	(151)	(181)
Dividend income from an unlisted investment	(18,337)	—
Negative goodwill recognised as income	(2,164)	—
Gain on disposal of long term investments	(30,083)	—
Interest income from:		
Bank deposits	(13,565)	(12,935)
A related company	—	(2,158)
Financing business	(27,377)	(11,969)
	(41,029)	(27,062)

\* There were no forfeited contributions available at the balance sheet date to reduce contributions in future years.



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## 7. FINANCE COSTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Interest on bank loans and overdrafts and other borrowings wholly repayable within five years	15,923	30,784
Interest charges for hire purchase contracts	69	100
	<u>15,992</u>	<u>30,884</u>

## 8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

## (a) Directors' remuneration

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive	—	100
Independent non-executive	115	198
Salaries, allowances and benefits in kind - executive	3,627	2,907
Pension scheme contributions - executive	118	95
	<u>3,860</u>	<u>3,300</u>

The remuneration of the above directors during the year fell within the following bands:

	Number of directors	
	2001	2000
Nil - HK\$1,000,000	8	10
HK\$1,000,001 - HK\$1,500,000	1	1
	<u>9</u>	<u>11</u>

Fees of HK\$115,000 (2000: HK\$198,000) were payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2000: Nil).



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### 8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

#### (a) Directors' remuneration (Continued)

There was no arrangement under which a director waived or agreed to waive any remuneration.

In the prior year, options to acquire shares in the Company were granted to certain directors as further detailed under the section entitled "Directors' rights to acquire shares" in the Report of the Directors and in note 33 to the financial statements. In the absence of a readily available market value for options on the Company's shares, the directors were unable to arrive at an accurate assessment of the value of these options, and accordingly, no value in respect of share options granted in the prior year was included in the directors' remuneration.

#### (b) Five highest paid employees

The five highest paid employees during the year included four (2000: Three) directors, details of whose remuneration are set out above. The details of the remuneration of the remaining one (2000: Two) non-director, highest paid employee are as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries, allowances and benefits in kind	607	1,059
Pension scheme contributions	9	20
	<u>616</u>	<u>1,079</u>

The remuneration of the non-director, highest paid employee during the year fell within the following band:

	Number of directors	
	2001	2000
Nil - HK\$1,000,000	<u>1</u>	<u>2</u>

### 9. TAX

Hong Kong profits tax had been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year.

At the balance sheet date, the Group had an unrecognised deferred tax asset of approximately HK\$42,746,000 (2000: HK\$24,717,000) principally in respect of tax losses carried forward.

There were no unprovided deferred tax liabilities at the balance sheet date (2000: Nil).



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## 10. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Included in the consolidated net loss attributable to shareholders is HK\$300,012,000 (2000: Profit of HK\$10,573,000) dealt with in the financial statements of the Company.

## 11. DIVIDEND

	2001 HK\$'000	2000 HK\$'000
Proposed final dividend - Nil (2000: 1.5 Hong Kong cents) per share	—	4,378

The comparative amount for dividend per share has been adjusted for the share consolidation as further detailed in note 33(c) during the year.

## 12. EARNINGS/(LOSS) PER SHARE

The calculation of loss per share is based on the loss attributable to shareholders of HK\$317,172,000 (2000: Profit of HK\$10,554,000 as restated) and the weighted average of 362,758,239 (2000: 40,304,879 as restated) shares in issue during the year.

Diluted loss per share has not been presented as the outstanding options and warrants had an anti-dilutive effect on the basic loss per share for the year.

The calculation of diluted earnings per share for the year ended 31 March 2000 was based on the restated profit attributable to shareholders of HK\$10,554,000 and the restated weighted average number of shares of 40,939,106 which included the weighted average of 634,227 shares assumed to have been issued at no consideration on the deemed exercise of the options outstanding during that year.

The comparative amounts for earnings per share and diluted earnings per share have been adjusted for the restated net profit attributable to shareholders as a result of the prior year adjustments as detailed in note 4 and the bonus issue and share consolidation as further detailed in note 33 during the year.



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### 13. FIXED ASSETS

Group	Leasehold	Leasehold	Furniture,	Motor	Total
	land and buildings	improvements	fixtures and equipment	vehicles	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:					
At beginning of year	9,275	2,573	4,022	4,170	20,040
Additions	—	255	4,641	908	5,804
Disposals	—	3	(840)	(1,253)	(2,090)
Exchange adjustments	2	—	—	1	3
At 31 March 2001	<u>9,277</u>	<u>2,831</u>	<u>7,823</u>	<u>3,826</u>	<u>23,757</u>
Accumulated depreciation:					
At beginning of year	529	1,818	1,609	2,503	6,459
Provided for the year	246	346	850	377	1,819
Disposals	—	(13)	(279)	(1,029)	(1,321)
At 31 March 2001	<u>775</u>	<u>2,151</u>	<u>2,180</u>	<u>1,851</u>	<u>6,957</u>
Net book value:					
At 31 March 2001	<u>8,502</u>	<u>680</u>	<u>5,643</u>	<u>1,975</u>	<u>16,800</u>
At 31 March 2000	<u>8,746</u>	<u>755</u>	<u>2,413</u>	<u>1,667</u>	<u>13,581</u>

The leasehold land and buildings are held under the following lease terms:

	Hong Kong	Outside	Total
	Hong Kong	Hong Kong	
	HK\$'000	HK\$'000	HK\$'000
Long term leases	—	3,938	3,938
Medium term leases	3,757	1,582	5,339
	<u>3,757</u>	<u>5,520</u>	<u>9,277</u>

Certain leasehold land and buildings were pledged to secure bank loans granted to the Group, as detailed in note 31.

The aggregate net book value of assets held under hire purchase contracts amounted to HK\$871,000 (2000: HK\$1,296,000).