

Notes to the Financial Statements

for the year ended 31st March, 2001

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Cont'd)**B. Employees' emoluments**

Of the five individuals with the highest emoluments in the Group, four (2000: five) were directors of the Company whose emoluments are disclosed in (A) above. The emoluments of the remaining one (2000: nil) individual were as follows:

	HK\$'000
Salaries and other benefits	460
Retirement benefit scheme contributions	4
Performance related incentive payments	2,059
	<u>2,523</u>

9. TAXATION

	2001 HK\$'000	2000 HK\$'000
The charge (credit) comprises:		
The Company and subsidiaries		
– Taxation outside Hong Kong	(1,495)	435
Share of taxation of associates and jointly controlled entity		
– Hong Kong Profits Tax	–	454
– Taxation outside Hong Kong	5,866	14
	<u>4,371</u>	<u>903</u>

Hong Kong Profits Tax is calculated at 16% (2000: 16%) on the estimated assessable profits for the year.

Taxation outside Hong Kong is calculated at the rates prevailing in the relevant jurisdictions.

No provision for Hong Kong Profits Tax has been made for the Company and its subsidiaries as the Group incurred losses for both years.

No deferred taxation has been recognised in the financial statements as it is uncertain whether the deferred taxation asset will crystallise in the foreseeable future.

The major components of the unprovided deferred taxation credit (charge) of the Group for the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences attributable to:		
Tax losses incurred during the year	1,607	7,293
Others	(29)	(4,929)
	<u>1,578</u>	<u>2,364</u>

Notes to the Financial Statements

for the year ended 31st March, 2001

9. TAXATION (Cont'd)

At the balance sheet date, the major components of the potential deferred taxation asset (liability) of the Group not recognised in the financial statements are as follows:

	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences attributable to:		
Unutilised tax losses	25,796	24,189
Others	(102)	(73)
	<u>25,694</u>	<u>24,116</u>

The Company does not have any significant unprovided deferred taxation for the year or at the balance sheet date.

10. NET LOSS FOR THE YEAR

Of the Group's net loss for the year of HK\$156,418,000 (2000: HK\$24,495,000), a loss of HK\$163,394,000 (2000: HK\$2,755,000) has been dealt with in the financial statements of Company.

11. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	2001 HK\$'000	2000 HK\$'000
Net loss for the year	<u>(156,418)</u>	<u>(24,495)</u>
Weighted average number of shares for the purposes of basic loss per share	<u>1,923,432,299</u>	<u>1,437,602,088</u>

Diluted earnings per share has not been presented for either year as the exercise of the Company's outstanding options would result in a decrease in the loss per share in both years.

The adjustment to comparative basic loss per share, arising from the change in accounting policies described in note 2 above, is as follows:

	HK cents
Reconciliation of 2000 basic loss per share:	
Reported figure before adjustment	(0.9)
Adjustment arising from the adoption of SSAP 30	<u>(0.8)</u>
Restated	<u>(1.7)</u>

Notes to the Financial Statements

for the year ended 31st March, 2001

12. GOODWILL (NEGATIVE GOODWILL)

	Goodwill HK\$'000	Negative goodwill HK\$'000
THE GROUP		
GROSS AMOUNT		
At 1st April, 2000	141,573	(57,782)
Additions	35,235	–
	<hr/>	<hr/>
At 31st March, 2001	176,808	(57,782)
	<hr/>	<hr/>
AMORTISATION		
At 1st April, 2000	(90,767)	–
(Amortised) released for the year	(31,657)	7,829
Impairment loss	(54,384)	–
	<hr/>	<hr/>
At 31st March, 2001	(176,808)	7,829
	<hr/>	<hr/>
CARRYING AMOUNT		
At 31st March, 2001	–	(49,953)
	<hr/> <hr/>	<hr/> <hr/>
At 31st March, 2000	50,806	(57,782)
	<hr/> <hr/>	<hr/> <hr/>

Goodwill is amortised using the straight line method over its estimated useful life which ranges from 3 to 20 years.

Negative goodwill is recognised as income over the remaining weighted average useful life of the non-monetary assets acquired by the Group.

The total goodwill capitalised by the Group in the current and prior periods included a carrying amount of HK\$54,384,000 in respect of the Group's interests in Sunray Power Limited and Profit View Limited, whose principal asset is their combined 30% interest in Value-Net Limited. As Value-Net Limited has not achieved the performance targets agreed at the date of acquisition, and the Group has to date been unsuccessful in recovering the cost of acquisition (see note 39(b)), the carrying amount of the Group's interest in Value-Net Limited, including the related goodwill, has been reduced to its estimated recoverable amount of nil, resulting in a total charge to the income statement of HK\$61,892,000.

Notes to the Financial Statements

for the year ended 31st March, 2001

13. INVESTMENT PROPERTIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
VALUATION		
At beginning of the year	35,600	30,000
Transfer from property, plant and equipment	4,733	5,299
Additions	–	734
Deficit arising on revaluation	(10,370)	(433)
	<u>29,963</u>	<u>35,600</u>
At end of the year	<u><u>29,963</u></u>	<u><u>35,600</u></u>

The investment properties of the Group were leased out for rental purposes under operating leases and were revalued as at 31st March, 2001 by an independent firm of professional valuers, chartered surveyors, on an open market value basis. The resulting deficit arising on revaluation of HK\$10,370,000 (2000: HK\$433,000) has been charged to the consolidated income statement as set out in note 5.

The Group's investment properties comprises:

	2001 HK\$'000	2000 HK\$'000
Properties situated in Hong Kong held under long leases	7,000	7,600
Properties situated in Hong Kong held under medium term leases	20,000	28,000
Properties situated outside Hong Kong held under medium term leases	2,963	–
	<u>29,963</u>	<u>35,600</u>
	<u><u>29,963</u></u>	<u><u>35,600</u></u>

Notes to the Financial Statements

for the year ended 31st March, 2001

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Furniture, fixtures and machinery HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP					
COST					
At 1st April, 2000	24,356	3,546	2,796	5,356	36,054
Additions	–	238	504	1,489	2,231
Disposals	–	(26)	(449)	–	(475)
Reclassification	–	782	–	(782)	–
Transfer to investment properties	(4,880)	–	–	–	(4,880)
At 31st March, 2001	19,476	4,540	2,851	6,063	32,930
DEPRECIATION, AMORTISATION AND IMPAIRMENT					
At 1st April, 2000	9,333	1,517	1,507	–	12,357
Provided for the year	523	389	411	–	1,323
Eliminated on disposals	–	(10)	(418)	–	(428)
Eliminated on transfer to investment properties	(147)	–	–	–	(147)
Impairment loss	–	–	–	3,681	3,681
At 31st March, 2001	9,709	1,896	1,500	3,681	16,786
NET BOOK VALUES					
At 31st March, 2001	9,767	2,644	1,351	2,382	16,144
At 31st March, 2000	15,023	2,029	1,289	5,356	23,697

The net book value of motor vehicles includes an amount of HK\$247,777 (2000: Nil) in respect of asset held under a finance lease.

Notes to the Financial Statements

for the year ended 31st March, 2001

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

The Group's leasehold land and buildings comprises:

	2001 HK\$'000	2000 HK\$'000
Properties situated in Hong Kong held under medium term leases	9,264	9,598
Properties situated outside Hong Kong held under medium term leases	503	5,425
	<u>9,767</u>	<u>15,023</u>

15. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Land cost	291,900	291,900
Development costs	35,086	25,509
Interest capitalised	54,690	41,063
	<u>381,676</u>	<u>358,472</u>
Less: Impairment loss	(221,676)	(208,472)
	<u>160,000</u>	<u>150,000</u>

The Group's properties under development are situated in Hong Kong held under a long lease.

The recoverable amount of the properties under development was estimated by reference to the estimated selling prices less estimated costs to completion.

Notes to the Financial Statements

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16. INTERESTS IN SUBSIDIARIES

	2001	2000
	HK\$'000	HK\$'000
Unlisted shares	183,277	183,277
Amounts due from subsidiaries	582,964	546,263
	<u>766,241</u>	<u>729,540</u>
Less: Impairment losses	(525,440)	(363,923)
	<u>240,801</u>	<u>365,617</u>

The carrying value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable to the Group as at the date on which the Company became the holding company of the Group under the group reorganisation in 1994, less dividends distributed from pre-reorganisation reserves of the subsidiaries and impairment losses recognised.

Particulars of the subsidiaries as at 31st March, 2001 are set out in note 40.

Notes to the Financial Statements

for the year ended 31st March, 2001

17. INTERESTS IN ASSOCIATES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	<u>18,806</u>	<u>69,622</u>

Included in the interests in associates as at 31st March, 2001 is a 48.728% interest in Shenzhen Rainbow Shopping Co. 深圳天虹商場有限公司 ("Shenzhen Rainbow"). The financial information in respect of the Group's interest in Shenzhen Rainbow, based on the unaudited financial statements of Shenzhen Rainbow for the year ended 31st March, 2001, is as follows:

	2001 HK\$'000	2000 HK\$'000
<i>Balance sheet</i>		
Non-current assets	<u>50,334</u>	<u>83,685</u>
Current assets	<u>226,709</u>	<u>198,512</u>
Current liabilities	<u>237,380</u>	<u>149,744</u>
Non-current liabilities	<u>1,069</u>	<u>20,287</u>
Net assets attributable to the Group	<u>18,806</u>	<u>54,656</u>
<i>Income statement</i>		
Turnover	<u>518,195</u>	<u>361,107</u>
Net (loss) profit for the year	<u>(63,435)</u>	<u>7,784</u>
Net (loss) profit attributable to the Group	<u>(30,910)</u>	<u>3,793</u>

Particulars of the associates as at 31st March, 2001 are set out in note 41.

Notes to the Financial Statements

for the year ended 31st March, 2001

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Share of net assets	144,293	94,642
Amount due (to) from a jointly controlled entity	(2,885)	49,502
	<u>141,408</u>	<u>144,144</u>

The amount due (to) from a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment.

The financial information in respect of the Group's interest in the jointly controlled entity, based on its unaudited financial statements for the year ended 31st March, 2001, is as follows:

	2001	2000
	HK\$'000	HK\$'000
<i>Balance sheet</i>		
Non-current assets	<u>186,510</u>	<u>164,659</u>
Current assets	<u>75,756</u>	<u>7,812</u>
Current liabilities	<u>117,973</u>	<u>77,829</u>
Net assets attributable to the Group	<u>144,293</u>	<u>94,642</u>
<i>Income statement</i>		
Turnover	<u>118,403</u>	<u>—</u>
Net loss for the year/period	<u>(4,823)</u>	<u>(745)</u>
Net loss attributable to the Group	<u>(3,858)</u>	<u>(596)</u>

Particulars of the jointly controlled entity as at 31st March, 2001 are set out in note 42.

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for the year ended 31st March, 2001

19. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
Equity securities:						
Listed – Hong Kong	–	–	3,372	5,211	3,372	5,211
Listed – outside						
Hong Kong	27	27	–	–	27	27
Unlisted	80	2	–	–	80	2
	<u>107</u>	<u>29</u>	<u>3,372</u>	<u>5,211</u>	<u>3,479</u>	<u>5,240</u>
Debt securities:						
Unlisted (Note)	–	–	710	710	710	710
Total securities:						
Listed	27	27	3,372	5,211	3,399	5,238
Unlisted	80	2	710	710	790	712
	<u>107</u>	<u>29</u>	<u>4,082</u>	<u>5,921</u>	<u>4,189</u>	<u>5,950</u>
Market value of listed securities	<u>204</u>	<u>307</u>	<u>3,372</u>	<u>5,211</u>	<u>3,576</u>	<u>5,518</u>
Carrying amount analysed for reporting purposes as:						
Non-current	107	29	710	710	817	739
Current	–	–	3,372	5,211	3,372	5,211
	<u>107</u>	<u>29</u>	<u>4,082</u>	<u>5,921</u>	<u>4,189</u>	<u>5,950</u>

Note:

Debt securities represent the carrying value of club debentures.