

# Notes to the Financial Statements

For the Year ended 31st March, 2001

## 2. SIGNIFICANT ACCOUNTING POLICIES - continued

### Properties held for resale

Properties held for resale are stated at the lower of cost and net realisable value. Cost consists of all expenditure directly attributable to the acquisition and development of the properties plus other direct costs attributable to such properties. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated costs necessary to make the sale.

### Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

### Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

For completed properties which are held for resale, revenue is recognised on the execution of a binding sales agreement.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Rental income, including rental invoiced in advance, from properties let under operating leases is recognised on a straight line basis over the terms of the relevant lease.

# Notes to the Financial Statements

For the Year ended 31st March, 2001

## 2. SIGNIFICANT ACCOUNTING POLICIES - continued

### Revenue recognition - continued

Sales of investment in securities are recognised on a trade date basis.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Revenue from advertising is recognised rateably in the period in which the advertisement is displayed.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

### Retirement benefits scheme contributions

Contributions payable by the Group to the Group's defined contribution retirement benefits scheme are charged to the consolidated income statement.

Certain of the Group's employees have been enrolled in a Mandatory Provident Fund Scheme ("MPF"). The contributions payable in respect of the current year to the MPF are charged as an expense as they fall due.

### Foreign currencies

Transactions in foreign currencies are translated into Hong Kong dollar at the rates ruling on the dates of the transactions or at the contracted settlement rate, if appropriate. Monetary assets and liabilities denominated in foreign currencies are re-translated into Hong Kong dollar at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the consolidated income statement.

On consolidation, the financial statements of operations which are denominated in foreign currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on translation are dealt with in reserves.

# Notes to the Financial Statements

For the Year ended 31st March, 2001

## 2. SIGNIFICANT ACCOUNTING POLICIES - continued

### Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

### Cash equivalents

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks which are repayable within three months from the dates of the advances.

## 3. TURNOVER

Turnover represents the net amounts received and receivable from sales of goods, sales of securities, interest income from provision of finance, property rentals and advertising income during the year.

# Notes to the Financial Statements

For the Year ended 31st March, 2001

## 4. SEGMENTAL INFORMATION

An analysis of the Group's turnover and contribution to results from operations by principal activity and geographical region is as follows:

	Turnover		Contribution to results from operations	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
By principal activity:				
Retailing and wholesaling of Chinese medicine, health products and foodstuff, manufacture and sale of pharmaceutical products and others	300,006	297,427	(61,634)	(24,749)
Trading and investment in securities	12,139	654	(16,905)	(62,804)
Provision of finance	4,830	10,478	20,695	(1,986)
Property letting	2,123	6,862	(2,969)	2,661
Internet operations	710	—	(13,740)	(13,044)
	<u>319,808</u>	<u>315,421</u>	<u>(74,553)</u>	<u>(99,922)</u>
Add: Write back of provision for amounts due from associates - net			1,483	—
Write back of provision for guarantees given in connection with a disposed subsidiary			1,776	—
Gain on disposal of investment properties			975	—
Waiver of a portion of other long-term loans			—	25,515
Less: Corporate management expenses			(16,816)	(16,728)
Provision for diminution in value of properties			(40,900)	(82,533)
Forfeiture of deposit made on acquisition of a property			(4,149)	—
Provision for amounts due from associates			—	(16,015)
Loss on disposal of properties			(47)	(1,725)
Loss from operations			<u>(132,231)</u>	<u>(191,408)</u>

# Notes to the Financial Statements

For the Year ended 31st March, 2001

## 4. SEGMENTAL INFORMATION - continued

	Turnover		Contribution to results from operations	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By geographical region:				
Hong Kong	243,668	229,037	(54,107)	(90,357)
Other regions in the People's Republic of China (the "PRC")	41,872	59,501	(4,667)	(8,854)
Australia	7,894	—	(14,267)	(8)
Others	26,374	26,883	(1,512)	(703)
	<u>319,808</u>	<u>315,421</u>	<u>(74,553)</u>	<u>(99,922)</u>

## 5. COST OF SALES

Included in cost of sales for the year ended 31st March, 2000 was an amount of HK\$16,360,000 in respect of the write back of provision for diminution in value of other investments. There was no such write back for the year ended 31st March, 2001.

## 6. OTHER REVENUE

	2001	2000
	HK\$'000	HK\$'000
Other revenue comprises:		
Unrealised gain on other investments	4,266	—
Gain on disposal of investment properties	975	—
Waiver of a portion of other long-term loans	—	25,515
Others	2,264	1,940
	<u>7,505</u>	<u>27,455</u>

# Notes to the Financial Statements

For the Year ended 31st March, 2001

## 7. OTHER OPERATING EXPENSES

	2001 HK\$'000	2000 HK\$'000
Other operating expenses comprises:		
Provision for diminution in value of properties held for resale	(40,900)	(27,742)
Provision for closure of retail outlets	(8,643)	—
Forfeiture of deposit made on acquisition of a property	(4,149)	—
Loss on disposal of listed investment securities	(4,010)	—
Provision for bad and doubtful debts	(422)	(2,123)
Deficit arising on revaluation of investment properties	(180)	(20,695)
Loss on disposal of properties under development	(47)	—
Write back of provision for loan debtors	16,000	—
Write back of provision for guarantees given in connection with a disposed subsidiary	1,776	—
Write back of (provision for) amounts due from associates - net	1,483	(16,015)
Provision for impairment in value of investment securities	—	(79,490)
Provision for diminution in value of properties under development	—	(34,096)
Loss on disposal of investment properties	—	(1,725)
Others	(512)	(4,535)
	<u>(39,604)</u>	<u>(186,421)</u>

# Notes to the Financial Statements

For the Year ended 31st March, 2001

## 8. LOSS FROM OPERATIONS

	2001 HK\$'000	2000 HK\$'000
Loss from operations has been arrived at after charging:		
Staff costs, including directors' emoluments (note 9(a)):		
Basic salaries and allowances	87,858	77,072
Retirement benefits scheme and MPF contributions, net of forfeited contributions of HK\$254,000 (2000: HK\$228,000)	<u>2,522</u>	<u>1,382</u>
	<u>90,380</u>	<u>78,454</u>
Auditors' remuneration:		
Current year	1,048	1,222
Underprovision in a prior year	<u>320</u>	<u>290</u>
	<u>1,368</u>	<u>1,512</u>
Depreciation and amortisation:		
Assets owned by the Group	12,426	8,234
Assets held under finance leases	54	67
Loss on disposal of property, plant and equipment	8,684	3,178
Operating lease rental payments in respect of land and buildings	47,906	42,417
and after crediting:		
Property rental income, net of outgoings of HK\$1,075,000 (2000: HK\$815,000)	<u><u>1,048</u></u>	<u><u>6,047</u></u>

# Notes to the Financial Statements

For the Year ended 31st March, 2001

## 9. DIRECTORS' AND EMPLOYEES' REMUNERATION

Particulars of the emoluments of the directors and the five highest paid individuals are as follows:

### (a) Directors' emoluments

	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive directors	—	—
Non-executive director	—	—
Independent non-executive directors	258	320
	<u>258</u>	<u>320</u>
Other emoluments:		
Executive directors		
Salaries and other benefits	3,986	4,834
Retirement benefits scheme and MPF contributions	169	132
Inducement to join the Group	450	—
Other directors	—	—
	<u>4,605</u>	<u>4,966</u>
	<u>4,863</u>	<u>5,286</u>

The emoluments of the directors are within the following bands:

	Number of directors	
	2001	2000
Nil to HK\$1,000,000	14	6
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	—
HK\$2,500,001 to HK\$3,000,000	—	1
	<u>—</u>	<u>1</u>