

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value, which is determined by the Directors with reference to prevailing market prices, on an individual property basis.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for any obsolete or slow-moving items. Cost is determined on the first-in, first-out basis and includes all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(p) Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

(q) Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and the Group's share of net assets of overseas associates expressed in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

(r) Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all its employees. The Scheme became effective on 1st December, 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) revenue from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (ii) income from the restaurant and entertainment businesses, in the period in which the services are rendered;
- (iii) rental income, in the period in which the properties are let and on the straight-line basis over the lease terms; and
- (iv) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

(t) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(u) Cash equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

4. TURNOVER AND REVENUE

Turnover represents the aggregate of the gross amounts of the net invoiced value of goods sold (after allowance for returns and trade discounts), the rendering of services and rental income, after elimination of all significant intra-group transactions during the year.

Revenue from the following activities has been included in turnover:

	GROUP	
	2001	2000
	HK\$'000	HK\$'000
Sale of goods	11,178	62,321
Income from restaurant and entertainment businesses	12,157	36,136
Rental income	15,326	8,451
	<u>38,661</u>	<u>106,908</u>

5. DISCONTINUED OPERATIONS

As further detailed in note 32(i) to the financial statements, on 31st July, 2000, the Group disposed of certain property interests and operations (the “Disposal”) located in the mainland of the People’s Republic of China (the “PRC”) (collectively the “Disposal Group”) to Mr. Peng Xiongfafa (“Mr. Peng”, a then Director of the Company), thereby resulting in a loss on disposal of approximately HK\$22 million for the year ended 31st March, 2001. The loss on disposal was determined based on the sale proceeds less the consolidated net asset value of the Group’s interests in such property interests and operations as at 31st July, 2000 plus the release of relevant reserves including goodwill previously eliminated directly against reserves of HK\$53.8 million.

Effective from the date of the disposal of the Disposal Group, the Group discontinued its operations of supermarkets, a department store, restaurants and entertainment facilities. The operations of supermarkets and the department store contributed HK\$11,178,000 (2000: HK\$62,321,000) to the Group’s turnover and accounted for HK\$13,344,000 (2000: HK\$100,629,000) of the Group’s loss from operating activities. The operations of restaurants and entertainment facilities contributed HK\$12,157,000 (2000: HK\$36,136,000) to the Group’s turnover and accounted for HK\$6,761,000 (2000: HK\$96,425,000) of the Group’s loss from operating activities.

6. LOSS FROM OPERATING ACTIVITIES

The Group’s loss from operating activities is arrived at after charging/(crediting):

	2001 HK\$’000	2000 HK\$’000
Cost of inventories sold and services rendered	25,713	103,725
Depreciation:		
Owned fixed assets [#]	10,644	31,792
Leased fixed asset	326	58
	<u>10,970</u>	<u>31,850</u>
Staff costs (excluding Directors’ remuneration (note 8))*:		
Wages and salaries	8,470	32,373
Pension scheme contributions	28	—
Less: Forfeited contributions	—	—
Net employer’s pension contributions**	<u>28</u>	<u>—</u>
	<u>8,498</u>	<u>32,373</u>
Auditors’ remuneration	1,720	1,680
Loss on disposal of fixed assets	—	144
Operating lease rentals in respect of land and buildings	12,617	33,066
Exchange losses, net	668	1,346
Penalty charge on overdue rentals (note 18)	—	48,320
Deficit on revaluation of investment properties	—	7,572
Unrealised losses of other investments	71,509	—
Write-off of doubtful debts	2,250	8,404
Provisions against properties held for sale	47,257	25,288
Loss on disposal of subsidiaries	21,941	6,765

6. LOSS FROM OPERATING ACTIVITIES (continued)

	2001 HK\$'000	2000 HK\$'000
Loss on foreclosure of interest in an other investment (<i>note 28(d)(iii)</i>)	85,000	—
Provision for compensation loss (<i>note 31(b)</i>)	15,000	—
Deposit forfeited	33,000	—
Loan payable waived by a minority shareholder of a subsidiary (<i>note 25</i>)	(21,000)	—
Gross rental income from investment properties	(9,999)	(8,451)
Gross rental income from properties held for sale	(5,327)	—
Less: Outgoings	406	179
Net rental income	<u>(14,920)</u>	<u>(8,272)</u>
Amortisation of deferred income	(1,214)	(11,699)
Interest income from an associate	(19,625)	(13,822)
Other interest income	<u>(10,524)</u>	<u>(20,589)</u>

Inclusive of an amount of HK\$9,145,000 (2000: HK\$26,776,000) classified under cost of inventories sold and services rendered.

* Inclusive of an amount of HK\$4,727,000 (2000: HK\$11,464,000) classified under cost of inventories sold and services rendered.

** The Group did not have a pension scheme for its employees in prior years. The amount of forfeited contributions available at the current year end to reduce contributions in future years was not significant.

7. FINANCE COSTS

	GROUP	
	2001 HK\$'000	2000 HK\$'000
Interest on:		
Bank loans and overdrafts	26,764	74,732
Other loans wholly repayable within five years	34,925	22,692
Finance lease	100	8
Total finance costs	<u>61,789</u>	<u>97,432</u>
Less: Interest capitalised in respect of properties under development (<i>note 13</i>)	<u>(7,290)</u>	<u>(18,394)</u>
	<u>54,499</u>	<u>79,038</u>

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance is as follows:

	GROUP	
	2001	2000
	HK\$'000	HK\$'000
Fees	<u>167</u>	<u>200</u>
Other emoluments:		
Salaries, allowances and benefits in kind	4,992	10,238
Performance related bonuses	1,940	13,300
Pension scheme contributions	10	—
	<u>6,942</u>	<u>23,538</u>
	<u>7,109</u>	<u>23,738</u>

Fees included HK\$167,000 (2000: HK\$200,000) payable to the Independent Non-executive Directors of the Company. There were no other emoluments payable to the Independent Non-executive Directors during the year (2000: Nil).

The remuneration of the Directors fell within the following bands:

	2001	2000
	Number of	Number of
	Directors	Directors
HK\$		
Nil - 1,000,000	16	5
1,000,001 - 1,500,000	1	1
1,500,001 - 2,000,000	—	1
2,000,001 - 2,500,000	1	—
2,500,001 - 3,000,000	—	1
3,000,001 - 3,500,000	1	—
3,500,001 - 4,000,000	—	1
13,000,001 - 13,500,000	—	1
	<u>19</u>	<u>10</u>

In addition to the above, options to acquire an aggregate of 360,000,000 (2000: 44,000,000) ordinary shares in the Company were granted to certain Directors during the year. Under the terms of the grant, the options granted on the shares of the Company are not transferable and, in the absence of a readily available market value for the options, the Directors are unable to arrive at an accurate assessment of the value of the options granted to the respective Directors during the year. Accordingly, no value is included in Directors' remuneration in respect of the share options granted.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

The five highest paid individuals during the year included five (2000: five) Directors of the Company, details of whose remuneration are disclosed above.