

# NOTES TO THE ACCOUNTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2001

## 13 Fixed assets

|  | Group                 |                              |                                   |                        |                | Company        |                                   |                        |              |
|--|-----------------------|------------------------------|-----------------------------------|------------------------|----------------|----------------|-----------------------------------|------------------------|--------------|
|  | Investment Properties | Leasehold land and buildings | Furniture, fixtures and equipment | Computers and software | Motor vehicles | Total          | Furniture, fixtures and equipment | Computers and software | Total        |
|  | HK\$'000              | HK\$'000                     | HK\$'000                          | HK\$'000               | HK\$'000       | HK\$'000       | HK\$'000                          | HK\$'000               | HK\$'000     |
| Cost or valuation                              |                       |                              |                                   |                        |                |                |                                   |                        |              |
| At 1st April, 2000                             | 152,100               | 58,796                       | 1,129                             | —                      | 542            | 212,567        | —                                 | —                      | —            |
| Translation differences                        | —                     | (1,380)                      | (103)                             | —                      | —              | (1,483)        | —                                 | —                      | —            |
| Additions                                      | —                     | —                            | 739                               | 1,412                  | —              | 2,151          | 729                               | 1,412                  | 2,141        |
| Disposals                                      | (2,600)               | —                            | (3)                               | (55)                   | —              | (2,658)        | (3)                               | (55)                   | (58)         |
| Write offs                                     | —                     | —                            | (1,112)                           | —                      | (138)          | (1,250)        | (414)                             | —                      | (414)        |
| Deficit arising on revaluation                 | (35,508)              | —                            | —                                 | —                      | —              | (35,508)       | —                                 | —                      | —            |
| Reclassification                               | 40,888                | (42,953)                     | —                                 | —                      | —              | (2,065)        | —                                 | —                      | —            |
| Transfer to properties held for sale (note 17) | (20,380)              | —                            | —                                 | —                      | —              | (20,380)       | —                                 | —                      | —            |
| <b>At 31st March, 2001</b>                     | <b>134,500</b>        | <b>14,463</b>                | <b>650</b>                        | <b>1,357</b>           | <b>404</b>     | <b>151,374</b> | <b>312</b>                        | <b>1,357</b>           | <b>1,669</b> |
| Accumulated depreciation                       |                       |                              |                                   |                        |                |                |                                   |                        |              |
| At 1st April, 2000                             | —                     | 6,406                        | 711                               | —                      | 460            | 7,577          | —                                 | —                      | —            |
| Translation differences                        | —                     | (271)                        | (24)                              | —                      | —              | (295)          | —                                 | —                      | —            |
| Charge for the year                            | —                     | 234                          | 108                               | 290                    | 25             | 657            | 19                                | 290                    | 309          |
| Disposals                                      | —                     | —                            | (1)                               | (12)                   | —              | (13)           | —                                 | (12)                   | (12)         |
| Write offs                                     | —                     | —                            | (670)                             | —                      | (81)           | (751)          | (3)                               | —                      | (3)          |
| Reclassification                               | —                     | (2,065)                      | —                                 | —                      | —              | (2,065)        | —                                 | —                      | —            |
| <b>At 31st March, 2001</b>                     | <b>—</b>              | <b>4,304</b>                 | <b>124</b>                        | <b>278</b>             | <b>404</b>     | <b>5,110</b>   | <b>16</b>                         | <b>278</b>             | <b>294</b>   |
| Net book value                                 |                       |                              |                                   |                        |                |                |                                   |                        |              |
| <b>At 31st March, 2001</b>                     | <b>134,500</b>        | <b>10,159</b>                | <b>526</b>                        | <b>1,079</b>           | <b>—</b>       | <b>146,264</b> | <b>296</b>                        | <b>1,079</b>           | <b>1,375</b> |
| At 31st March, 2000                            | 152,100               | 52,390                       | 418                               | —                      | 82             | 204,990        | —                                 | —                      | —            |

# NOTES TO THE ACCOUNTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2001

## 13 Fixed assets *(Continued)*

The analysis of cost or valuation of the Group's assets are as follows:

|              | Investment<br>properties<br>HK\$'000 | Leasehold<br>land and<br>buildings<br>HK\$'000 | Furniture,<br>fixtures<br>and<br>equipment<br>HK\$'000 | Computers<br>and<br>software<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Total<br>HK\$'000 |
|--------------|--------------------------------------|--|--|--|-------------------------------|-------------------|
| At cost      | —                                    | 7,267  | 650  | 1,357                                    | 404                           | 9,678             |
| At valuation |                                      |  |  |  |                               |                   |
| - 1990       | —                                    | 3,626  | —  | —  | —                             | 3,626             |
| - 1993       | —                                    | 3,570  | —  | —  | —                             | 3,570             |
| - 2001       | 134,500                              | —  | —  | —  | —                             | 134,500           |
|              | <u>134,500</u>                       | <u>14,463</u>                                  | <u>650</u>   | <u>1,357</u>                             | <u>404</u>                    | <u>151,374</u>    |

The Group's interests in leasehold land and buildings and investment properties at their net book values are analysed as follows:

|                                     | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
|-------------------------------------|------------------|------------------|
| Held in Hong Kong:                  |                  |                  |
| On leases of over 50 years          | 85,000           | 100,000          |
| On leases of between 10 to 50 years | 3,719            | 42,400           |
| Held outside Hong Kong:             |                  |                  |
| Freehold                            | 4,627            | 5,853            |
| On leases of over 50 years          | 1,813            | 1,850            |
| On leases of between 10 to 50 years | 49,500           | 54,387           |
|                                     | <u>144,659</u>   | <u>204,490</u>   |

# NOTES TO THE ACCOUNTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2001

## 13 Fixed assets *(Continued)*

The investment property at Harbour View Tower, Kwun Tong was revalued to the value of HK\$20,380,000 (refer to note 34) based on the subsequent sales consideration before transfer to properties held for sale. All the other investment properties were revalued at 31st March, 2001 on the open market value basis by RHL Appraisal Ltd. (2000: Knight Frank), an independent professional property valuer. The deficits arising on revaluation totalling HK\$35,508,000 (2000: HK\$25,350,000) have been charged to the profit and loss account (note 5).

With respect to leasehold land and buildings in Hong Kong which are stated at valuation in 1990 and 1993 made by independent professional property valuers, the directors are of the opinion that the net book values of these properties approximate their respective market values at 31st March, 2001. Had these properties been stated at cost less accumulated depreciation, the net book value of all leasehold land and buildings would have been HK\$13,137,000 (2000: HK\$14,554,000).

All the properties in Hong Kong with an aggregate carrying value of HK\$88,719,000 (2000: HK\$142,400,000) have been pledged to secure bank loans of the Group by way of a fixed charge.

## 14 Properties under development

|   | Group    |          |
|---|----------|----------|
|   | 2001     | 2000     |
|   | HK\$'000 | HK\$'000 |
| At the beginning of the year                            | —        | 3,415    |
| Additions   | —        | 366      |
| Transfer to properties held for sale ( <i>note 17</i> ) | —        | (1,007)  |
| Provision for diminution in value                       | —        | (2,774)  |
| At the end of the year                                  | —        | —        |

At 31st March, 2001, the amounts of properties under development for long term investment purpose are with cost of HK\$2,774,000 (2000: HK\$2,774,000). Full provision has been made for the cost. No properties under development are held for sale purpose as at 31st March, 2001 and 2000. Properties under development are situated in the People's Republic of China ("PRC") and are held under leases of between 10 to 50 years.

# NOTES TO THE ACCOUNTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2001

## 15 Other non-current assets

|   | Group     |              |
|---|-----------|--------------|
|   | 2001      | 2000         |
|   | HK\$'000  | HK\$'000     |
| Investment in an associated company ( <i>note (a)</i> ) | (883)     | —            |
| Investment securities ( <i>note (b)</i> )               | 916       | 1,108        |
|   | <u>33</u> | <u>1,108</u> |

(a) Investment in an associated company

|                                      | Group        |          |
|--------------------------------------|--------------|----------|
|                                      | 2001         | 2000     |
|                                      | HK\$'000     | HK\$'000 |
| Investments at cost, unlisted shares | 553          |          |
| Share of loss                        | (1,436)      | —        |
|                                      | <u>(883)</u> | <u>—</u> |

The following is the details of the associated company at 31st March, 2001:

| Name   | Place of<br>incorporation<br>and business | Principal activities                          | Particulars of<br>issued shares held | Interest held<br>indirectly |
|--|---|---|--------------------------------------|-----------------------------|
| Wanbao Telecom<br>(H.K.) Company,<br>Limited | Hong Kong                                 | Provision of<br>telecommunication<br>services | Ordinary shares of<br>HK\$1 each     | 36%                         |

At 31st March, 2001, the Group had commitments to contribute additional funds to the associated company (*note 30(a)*).

(b) Investment securities represent equity interests in dairy and related businesses in New Zealand.

# NOTES TO THE ACCOUNTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2001

## 16 Investments in subsidiaries

|                                   | Company        |               |
|-----------------------------------|----------------|---------------|
|                                   | 2001           | 2000          |
|                                   | HK\$'000       | HK\$'000      |
| Unlisted shares, at cost          | —              | —             |
| Amounts due from subsidiaries     | 215,850        | 64,797        |
| Amounts due to subsidiaries       | (2)            | (1,605)       |
| Provision for diminution in value | (64,765)       | (35,000)      |
|                                   | <u>151,083</u> | <u>28,192</u> |

The unlisted shares of subsidiaries are stated at cost of HK\$31 (2000: HK\$8).

The amounts due from and to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Particulars of principal subsidiaries are set out in note 36 to the accounts.

## 17 Properties held for sale

|   | Group         |              |
|---|---------------|--------------|
|   | 2001          | 2000         |
|   | HK\$'000      | HK\$'000     |
| At the beginning of the year                                  | 1,007         | 6,000        |
| Transfer from investment properties ( <i>note 13</i> )        | 20,380        | —            |
| Transfer from properties under development ( <i>note 14</i> ) | —             | 1,007        |
|   | <u>21,387</u> | <u>7,007</u> |
| Less: Disposal of a subsidiary                                | (1,007)       | (6,000)      |
| At the end of the year  | <u>20,380</u> | <u>1,007</u> |

The property held for sale at 31st March, 2001 is situated in Hong Kong and is held under a lease of between 10 to 50 years. The property is subsequently disposed of after 31st March, 2001 (*note 34*).

# NOTES TO THE ACCOUNTS *(Continued)*

FOR THE YEAR ENDED 31ST MARCH, 2001

## 18 Jointly controlled entities

### (a) Interests in jointly controlled entities

|  | Group            |                  | Company          |                  |
|--|------------------|------------------|------------------|------------------|
|  | 2001<br>HK\$'000 | 2000<br>HK\$'000 | 2001<br>HK\$'000 | 2000<br>HK\$'000 |
| Share of net assets                          | 40,277           | —                | —                | —                |
| Amount due to a jointly<br>controlled entity | (5,983)          | —                | (5,983)          | —                |
|  | <u>34,294</u>    | <u>—</u>         | <u>(5,983)</u>   | <u>—</u>         |

On 20th June, 2000, two joint venture agreements were entered into to establish a 95% owned jointly controlled entity, namely Beijing 21CN Liyang Internet Technology Service Company Limited (“Net-tech JV”) and a 50% owned jointly controlled entity, namely Beijing 21CN Liyang Advertising Agency Limited (“Advertising JV”) respectively.

Net-tech JV was incorporated in the People’s Republic of China (“PRC”) with principal activities in the development, production and marketing of educational application software, educational programs and provision of internet technology consultancy services in the PRC. During the year, the Group had paid HK\$43.8 million for the capital of the Net-tech JV of which HK\$33.8 million has been registered. The business licence of Net-tech JV was issued on 27th June, 2000.

Advertising JV is a joint venture designated to engage in the design and production of commercial advertisements and provision of agency services in the PRC. Up to March, 2001 the business licence of the Advertising JV has not yet been issued. During the year, no operations had commenced in both the Net-tech JV and Advertising JV.

Due to the change of business environment, all the joint venture partners unanimously agreed in March 2001 to terminate the investments in the jointly controlled entities and all agreements entered into in relation to the jointly controlled entities will be terminated. Management will soon commence the liquidation process which is expected to be completed within one year. The amount of capital contributed by the Group will be refunded once the deregistration is completed.