

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation of Financial Statements

These financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong including Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, and with the disclosure requirements of the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited and of the Hong Kong Companies Ordinance.

These financial statements are prepared in accordance with the historical cost convention modified by the revaluation of investment properties and the valuation to fair value of other investments as explained in the accounting policies set out below. Certain comparative figures have been reclassified to conform with the current years' presentation.

(b) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year together with the Group's share of the net assets and post-acquisition results of the associated companies using the equity method of accounting.

(c) Goodwill

Goodwill arising on consolidation of subsidiary companies and on acquisition of associated companies represents the excess purchase consideration paid for such companies over the fair values ascribed to the net underlying assets at the date of acquisition and is written off to reserves in the year of acquisition. Upon disposal, the attributable amount of goodwill previously written off to reserves is charged to the profit or loss account.

(d) Subsidiaries

A subsidiary is an entity over which the Company has direct or indirect control. In the case of limited companies, control means the continuing ability to exercise more than half of the voting rights or to appoint a majority of the directors. In the case of partnerships, control means the continuing ability to exercise more than half of the voting rights or to appoint the general partner.

Investments in subsidiaries are stated at cost less provision. Provision is made when the directors consider that there is a diminution in underlying value which is other than temporary. Any such provision is recognized as an expense in the profit and loss account of the Company.



Notes to the Financial Statements

For the year ended 31st March 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) **Associates**


An associate is an entity, other than a subsidiary, over which the Group has the ability to exercise significant influence, including participation in financial and operating policy decisions.

Investments in associates are stated in the consolidated balance sheet at the Group's share of net assets other than goodwill less provision and in the balance sheet of the Company at cost less provision.

Provision is made when the directors consider that there is a diminution in the underlying value which is other than temporary. Any such provision is recognized as an expense in the profit and loss account.

(f) **Properties**

(1) *Investment Properties*



Properties which are intended to be held for long-term rental income purposes are classified as investment properties. Investment properties are valued annually by independent professional valuers on an open market value basis. Changes in the value of investment properties are dealt with in the investment properties valuation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the profit and loss account. On disposal of a revalued investment property, the relevant revaluation surplus or deficit is transferred to the profit and loss account.

(2) *Other Properties*

Other properties are stated at cost less depreciation.

(g) **Depreciation**

Depreciation is calculated to write off the cost or valuation of assets over their estimated useful lives on the following bases:

Investment properties	Nil
Other buildings	6.7% p.a. straight line method
Other assets	10-30% p.a. reducing balance method

Notes to the Financial Statements

For the year ended 31st March 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) **Investment Securities**

Investment securities are securities which are intended to be held on a continuous basis, for example for strategic reasons or to cement commercial relationships.

Investment securities are stated at cost less provision. Provision is made when the directors consider that there is a diminution in underlying value which is other than temporary. Any such provision is recognized as an expense in the profit and loss account.

(i) **Other Investments**

Other investments are securities, other than investments in subsidiaries, associates and investment securities, the accounting policies for which are disclosed above, which are intended to be held for more than one year and are therefore classified as non-current assets. Other investments are stated at fair value as at the balance sheet date. Changes in fair value are recognized in the profit and loss account as they arise.

(j) **Foreign Currencies**

Transactions in foreign currencies during the year are translated at exchange rates ruling at transaction dates. Monetary assets and liabilities in foreign currencies and the financial statements of overseas subsidiaries and associated companies are translated into Hong Kong Dollars at exchange rates ruling at the balance sheet date.

Differences on foreign currency translation are dealt with in the profit and loss account except that differences arising from the translation of overseas subsidiaries and associated companies are taken directly to the exchange reserve.

The main exchange rates used at the balance sheet date are:

US\$1.00 = HK\$7.80	(2000: HK\$7.80)
Baht 100 = HK\$17.33	(2000: HK\$20.59)

(k) **Deferred Taxation**

Provision is made for deferred tax using the liability method in respect of timing differences which are expected with reasonable probability to crystallise in the foreseeable future.



Notes to the Financial Statements

For the year ended 31st March 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(I) Revenue Recognition

(1) *Rental income*

Rental income is recognized on a straight line basis over the periods of the leases.

(2) *Rendering of services*

Services income is recognised when the services are rendered and billed to clients.

(3) *Dividend income*

Dividend income from listed investments is recognized when the share price of the investment goes ex-dividend. Dividend income from unlisted investments is recognized when the Group's right to receive payment is established.

(4) *Interest income*

Interest income is recognized on a time proportion basis.

(5) *Sales of investments*

Profits and losses on sales of investments are recognized when the transaction is completed and represent the difference between the estimated net proceeds and the carrying amount of the investments.

Notes to the Financial Statements

For the year ended 31st March 2001

2. TURNOVER AND OPERATING PROFIT/(LOSS)

During the year the Group was principally engaged in the provision of IT services, telecommunication infrastructure, investments in properties and share holdings.

An analysis of turnover and contribution to operating profit for the year by principal activities and geographical areas are as follows:

By principal activities:

	2001	2001	2000	2000
	Turnover	Operating	Turnover	Operating
	HK\$'000	profit/(loss)	HK\$'000	profit/(loss)
		HK\$'000		HK\$'000
Property rental and management	28,884	12,694	147,187	68,523
Ski operations	—	—	23,717	(3,967)
IT services	24,021	5,293	1,527	(1,590)
Investment and interest income	11,008	5,350	12,128	4,172
Net profit / (loss) on disposal of assets less provisions	—	2,883	—	(95,993)
	63,913	26,220	184,559	(28,855)
Less: unallocated corporate expenses		(3,367)		(6,119)
Operating profit/(loss)		22,853		(34,974)

By geographical areas:

	2001	2001	2000	2000
	Turnover	Operating	Turnover	Operating
	HK\$'000	profit/(loss)	HK\$'000	profit/(loss)
		HK\$'000		HK\$'000
Hong Kong	57,251	19,898	30,556	3,234
Thailand and South East Asia	1,319	1,740	7,584	97,872
United States of America	4,963	1,077	146,333	(135,968)
Mainland China	380	138	86	(112)
	63,913	22,853	184,559	(34,974)

Effective 1st April 2000, the turnover included property management fee income and income from investments as well as dividends and interest income. The comparative figures have been reclassified to conform with the current year's presentation. The effect of this change is the increase in turnover by HK\$7,086,000 (2000: HK\$5,210,000).

Notes to the Financial Statements

For the year ended 31st March 2001

3. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is shown after the following:

(a) Charging

	2001 HK\$'000	2000 <i>HK\$'000</i>
Interest on		
bank loans and overdraft	6,951	45,023
other loans	—	14
	6,951	45,037
Add: Amortization of premium for a forward exchange rate contract	536	1,053
	7,487	46,090
Other borrowing costs	1,733	—
Total borrowing costs	9,220	46,090
Auditors' remuneration	377	1,368
Depreciation	1,121	5,562
Exchange losses	—	1,138
Provision for long service payments to employees (Note 21)	618	154
Contributions to mandatory provident fund (Note 21)	51	—

(b) Crediting

	2001 HK\$'000	2000 <i>HK\$'000</i>
Share of results of listed associate	—	(14,111)
Share of results of unlisted associates	(13,557)	3,708
	(13,557)	(10,403)
Exchange gains	355	—
Rental income from investment properties less direct outgoings	21,446	97,656
Listed investment income	5,313	8,065
Unlisted investment income	313	535
Interest income	5,382	2,028
Unclaimed dividend declared by subsidiary reversed	239	—

Notes to the Financial Statements

For the year ended 31st March 2001

3. PROFIT/(LOSS) BEFORE TAXATION (Continued)

(c) Net profit/(loss) on disposal of assets less provisions

	Note	2001 HK\$'000	2000 HK\$'000
Net loss on disposal of properties and property holding associates		—	(193,003)
Profit on disposal of investment securities and an associate holding investment securities		—	78,202
Profit on disposal of listed associate		—	1,705
Write back of provision for investment securities		—	14,187
Write off of investments in Malaysia and their related balances			
— associates		(1,113)	—
— creditor, net of debtors		4,656	—
— claims paid in respect of investments in previous years		(793)	—
Final settlement in relation to assets disposed to a related party	(i)		
— unclaimed liabilities due to minority interest reversed		1,476	—
— write back of creditors, net of debtors		7,881	—
Provision for debtors		(6,134)	—
Provision for other investments		(3,081)	—
Net profit on disposal of other investments		97	4,155
Unrealised increase/(decrease) in fair value of other investments		22	(295)
Loss on sale of other fixed assets		(128)	(944)
		2,883	(95,993)

- (i) On 1st March 2000, the Group disposed of certain assets to Promise City Limited, a related party. The transaction was approved by independent shareholders in a special general meeting held on 13th January 2000. As it was not possible to settle all outstanding issues as at 31st March 2000, the remaining issues were completed within the year ended 31st March 2001.