

1. CHANGE OF FINANCIAL YEAR END

The Company changed its financial year end from 31 March to 31 December so that the preparation of financial information is better co-ordinated with annual corporate and strategic planning of the Group. The financial statements now presented cover a period of nine months from 1 April 2000 to 31 December 2000. Accordingly, the comparative figures (which cover a period of twelve months from 1 April 1999 to 31 March 2000) for the income statement, cash flow statement, statement of recognised gains and losses and related notes are not comparable with that of the current period.

2. GENERAL

The Company is a public limited company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited.

The Company is principally engaged in investment holding. The principal activities of the Group are property investment and development, investment holding, investment in trading securities, provision of internet and internet related services and provision of brokerage and financial services.

3. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements are prepared under the historical cost convention except for investment properties and investments in securities which are measured at fair values. Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, and is determined on the basis of existing use.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The principal accounting policies adopted are set out below:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December 2000.

The results of the subsidiaries and associates acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(b) Goodwill**

Goodwill arising on consolidation, which represents the excess of the purchase consideration over the fair value ascribed to the separable net assets at the date of acquisition of a business, including an interest in a subsidiary or an associate, is capitalised and amortised on a straight line basis over its estimated useful life or twenty years, whichever is shorter. Goodwill arising from acquisition of interests in subsidiaries and associates engaging in internet and internet related business during the period is amortised over five years. Provision is made for permanent diminution in value as necessary.

Negative goodwill, which represents the excess of the fair value ascribed to the separable net assets at the date of acquisition over the purchase consideration, is credited to reserves.

Upon disposal of subsidiaries or associates, the attributable amount of unamortised goodwill or capital reserve previously credited to reserves is included in the determination of the results on disposal.

(c) Investments in subsidiaries

A subsidiary is an enterprise in which the Group, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or where the Group controls the composition of its board of directors or equivalent governing body.

Interests in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Where a subsidiary is excluded from consolidation on the grounds that the subsidiary operates under severe restrictions which significantly impair control by the Group over the subsidiary's assets and operations for the foreseeable future, the Group's investment in the subsidiary is stated in the consolidated balance sheet at the amount at which it would have been included under the equity method of accounting at the date the restrictions came into force. No further accruals are made for its profits or losses until such time as the restrictions which impair control by the Group are lifted. If the amount at which the investment is stated in the consolidated financial statements on this basis is impaired by the decline in value of the investment other than temporarily, provision for the loss is made through the consolidated income statement.

(d) Investments in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. The carrying amount of such interests is reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(d) Investments in associates** *(Continued)*

Where a group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

(e) Revenue recognition

Rental income, from properties let under operating leases including rentals invoiced in advance for fixed periods, is recognised on a straight line basis over the term of the relevant lease.

Revenue from the sale of trading securities is recognised on a trade day basis.

Brokerage fees and commission income are recognised when relevant services are provided.

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

Investment income and dividend income is recognised when the Group's right to receive payment has been established.

Revenue from properties held for sale are recognised when binding sales and purchase assignments are executed.

Revenue from provision of consultancy services is recognised when relevant service is provided.

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

(f) Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement.

On disposal of investment properties, the balance on the investment property revaluation reserve attributable to that property disposed of is credited to the income statement.

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than 20 years.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(g) Property, plant and equipment**

Property, plant and equipment are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

When the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected cash flows are not discounted to their present values.

Depreciation is provided to write off the cost of property, plant and equipment, other than investment properties, over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land and land use rights	Over the terms of leases
Buildings	4%
Leasehold improvements	10%
Furniture and fixtures	10-20%
Plant and machinery	10%
Motor vehicles	25%

Assets held under hire purchase contracts are depreciated on the same basis as owned assets.

(h) Investments in securities

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

All securities other than held-to-maturity debt securities are measured at fair value at subsequent reporting dates. The Group has no held-to-maturity debt securities.

Where securities are held for trading purposes, unrealised gains and losses are included in the income statement for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in the income statement for the period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(i) Assets held under hire purchase contracts**

Assets held under hire purchase contracts are capitalised at their fair value at the date of acquisition. The principal portions of the corresponding lease commitments are shown as obligations under hire purchase contracts. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balances of the obligations for each accounting period.

(j) Operating leases

Rentals payments/receipts under operating leases are charged to/recognised in the income statement on a straight line basis over the term of the relevant leases.

(k) Other long term assets

Other long term assets are stated at cost less provision for permanent diminution in value, if necessary.

(l) Long term investment

Long term investment represents the rights, benefits and remedies under a joint venture contract and is stated at cost less provision for permanent diminution in value, if necessary. Amortisation is provided to write off the cost of rights acquired in the joint venture contract on a straight line basis over the relevant term of the joint venture.

(m) Taxation

The charge for taxation is based on the results for the period 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 under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

(n) Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) 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 repayable within three months from the date of the advance.

5. TURNOVER

	01/04/2000 to 31/12/2000 HK\$'000	01/04/1999 to 31/03/2000 HK\$'000
Proceeds from sale of trading securities	219,174	83,992
Interest income	26,574	1,255
Brokerage fees and commission income	13,851	–
Dividend income from listed securities	1,123	–
Rental income	4,784	10,274
Proceeds from sale of properties held for sale	–	5,050
Sale of goods	–	26,486
	265,506	127,057

6. OTHER REVENUES

	01/04/2000 to 31/12/2000 HK\$'000	01/04/1999 to 31/03/2000 HK\$'000
Consultancy fee	3,430	–
Bank interest income	5,248	478
Interest income on other loan receivable	60	53
Sundry income	3,398	2,043
Recovery of expenses and losses from third parties	559	1,646
Loan arrangement fee	500	–
Accounts payable written back	1,468	938
Waiver of a loan	–	1,605
Income from fitness club operations	–	5,692
	14,663	12,455

7. OTHER OPERATING EXPENSES

Included in other operating expenses are the following:

	01/04/2000 to 31/12/2000 HK\$'000	01/04/1999 to 31/03/2000 HK\$'000
Net provision for bad and doubtful debts	(49,166)	(33,218)
Unrealised loss on trading securities	(125,173)	(4,153)
Net deficit arising on revaluation of investment properties	(14,760)	(2,342)
	(189,099)	(39,713)

8. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	01/04/2000 to 31/12/2000 HK\$'000	01/04/1999 to 31/03/2000 HK\$'000
Amortisation of goodwill of subsidiaries	26,522	—
Amortisation of goodwill of associates	1,672	—
Amortisation of long term investments	—	1,724
Auditors' remuneration:		
Current period/year	1,200	1,280
(Over)/under provision in prior years	(134)	35
Cost of properties held for sale recognised as an expense	—	5,092
Cost of inventories recognised as an expense	—	2,129
Depreciation on:		
Owned assets	10,572	12,805
Assets held under hire purchase contracts	123	145
Loss on disposals of investment properties	—	1,261
Loss on disposals of property, plant and equipment	1,766	4,530
Operating lease rentals in respect of land and buildings	802	—
Staff costs:		
Directors' remuneration:		
Fees	—	—
Other emoluments	7,038	6,798
Others	16,477	9,472
and after crediting:		
Rental income from investment properties, net of outgoings of HK\$232,000 (31/03/2000: HK\$1,592,000)	4,552	8,682

9. PROVISION FOR DIMINUTION IN VALUE OF LONG TERM INVESTMENT

In April 1996, the Group acquired the rights, benefits and remedies under a joint venture contract for a Sino-foreign co-operative joint venture, Nanhai Guimu Highway Co. Ltd. (the "Joint Venture") from an independent third party ("the Vendor") at a consideration of HK\$50,000,000. Under the terms of the acquisition agreement, the Vendor had to assist the Group in registering the legal title of the Joint Venture and guarantee the Group to receive certain amount of minimum fixed returns.

However, the Vendor had not registered the Group's interest in the Joint Venture as specified in the acquisition agreement. Against this background, the directors had made a full provision for the outstanding guaranteed profits amounting to HK\$20,250,000 and the carrying value of the rights acquired in the Joint Venture amounting to HK\$42,673,000 in the financial statements for the year ended 31 March 2000.

In order to secure the Group's interests in the Joint Venture and to recover the outstanding guaranteed profits, the Group had commenced legal proceedings against the Vendor and its related parties, including 南海市交通局 (The Traffic Bureau of Nanhai City, the People's Republic of China). The legal proceedings have not been finalised as at 31 December 2000.

10. FINANCE COSTS

	01/04/2000 to 31/12/2000 HK\$'000	01/04/1999 to 31/03/2000 HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	26,956	25,390
Bank and other borrowings wholly repayable over five years	14,441	34,852
Convertible note	664	—
Obligations under hire purchase contracts	37	141
	42,098	60,383

11. DIRECTORS' EMOLUMENTS

	01/04/2000 to 31/12/2000 HK\$'000	01/04/1999 to 31/03/2000 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	–	–
	–	–
Other emoluments:		
Executive directors	6,868	6,678
Independent non-executive directors	170	120
	7,038	6,798

Emoluments of the directors were within the following bands:

	01/04/2000 to 31/12/2000 Number of directors	01/04/1999 to 31/03/2000 Number of directors
Nil to HK\$1,000,000	6	11
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	–	1
HK\$3,500,001 to HK\$4,000,000	1	–
	8	13

During the period ended 31 December 2000 and year ended 31 March 2000, no emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to joint or upon joining the Group or as compensation for loss of office. In addition, during the period ended 31 December 2000 and year ended 31 March 2000, no directors have waived any emoluments.

12. EMPLOYEES' EMOLUMENTS

The five highest paid employees of the Group during the period included three (31/03/2000: four) directors, details of whose emoluments are set out in note 11 above. The emoluments of the remaining two (31/03/2000: one) employees are as follows:

	01/04/2000 to 31/12/2000 HK\$'000	01/04/1999 to 31/03/2000 HK\$'000
Salaries and other benefits	1,570	688

The remuneration of the employees falls within the following bands:

	01/04/2000 to 31/12/2000 Number of employees	01/04/1999 to 31/03/2000 Number of employees
Nil to HK\$1,000,000	2	1

13. TAXATION

The tax (charge)/credit comprises:

	01/04/2000 to 31/12/2000 HK\$'000	01/04/1999 to 31/03/2000 HK\$'000
Hong Kong Profits Tax		
Current period/year	(2,400)	(80)
Over/(under) provision in prior years	153	(1,199)
	(2,247)	(1,279)
Share of tax on results of associates	—	(792)
	(2,247)	(2,071)

Provision for Hong Kong Profits Tax has been calculated at 16% (31/03/2000: 16%) of the estimated assessable profits for the period.

Details of unprovided deferred taxation are set out in note 39.