

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

1. GENERAL

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

The principal activities of the Group are investment holding, property investment and development and provision of property agency services.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st January each year.

The results of subsidiaries acquired or disposed of during the year 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 have been eliminated on consolidation.

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associate, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On disposal of a subsidiary or an associate, the attributable amount of goodwill previously written off or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary or associate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

2. SIGNIFICANT ACCOUNTING POLICIES – continued

Interests in subsidiaries

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

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any impairment in the value of the subsidiary.

Interests in associates

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

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, investments in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

In the Company's balance sheet, investments in associates are stated at cost, as reduced by any impairment in the value of the associate.

Investments in securities

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

Investments not held for trading purposes are measured at subsequent reporting dates at fair value, with unrealised gains and losses dealt with in equity until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses are included in net profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

2. SIGNIFICANT ACCOUNTING POLICIES – continued

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 increase or decrease 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 decrease, in which case the excess of the decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

Certain investment properties in Guam, U.S.A., which, in the opinion of the directors, are insignificant to the Group in terms of both market value and profit contribution, are carried at 1983 professional valuation less subsequent depreciation. The land held on short lease and building structure are depreciated on a straight line basis over the unexpired term of the lease.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement to form part of the gain or loss on disposal.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Other properties

Land in Guam, U.S.A., which is held for long term purpose, is stated at cost or valuation less provision, if necessary, for any impairment in value. Cost includes the cost of purchase and other attributable expenses.

Advantage has been taken of the transitional relief provided by paragraph 72 of Statement of Standard Accounting Practice No. 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants from the requirement to make regular revaluations of the Group's land and buildings in Guam, other than certain investment properties, which had been carried at revalued amounts prior to 30th September, 1995, and accordingly no further revaluation of such land and buildings is carried out.

Properties held for development are stated at cost less provision, if necessary, for any impairment in value. Cost comprises the cost of land and, where appropriate, financial and other attributable expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

2. SIGNIFICANT ACCOUNTING POLICIES – continued

Other fixed assets

Other fixed assets 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 assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the 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 assets, the expenditure is capitalised as an additional cost of the asset.

Where in the opinion of the directors the recoverable amount of an asset has declined below its carrying amount, provision is made to write down the carrying amount of such asset to its recoverable amount. Recoverable amounts are not determined using discounted cash flows.

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

Depreciation is provided to write off the cost of other fixed assets over their anticipated useful lives on the reducing balance basis at the following annual rates:

Furniture and fixtures	10%
Office equipment and motor vehicles	25%

Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Cost includes the cost of purchase, development expenditure incurred and, where appropriate, financial expenses capitalised. Net realisable value is determined by reference to professional valuations or management estimates based on prevailing market conditions.

Retirement benefit scheme

Contributions payable in respect of the Group's retirement benefit schemes are charged to the income statement.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates of exchange ruling on the balance sheet date. Exchange differences arising on exchange are dealt with in the income statement.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

2. SIGNIFICANT ACCOUNTING POLICIES – continued

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. 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.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

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.

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 asset will crystallise in the foreseeable future.

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. 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 period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rental payable or receivables are charged or credited to the income statement on a straight line basis over the relevant lease terms.

Revenue recognition

Lease of properties

Rental income from properties leased out under operating leases is accounted for on a straight line basis over the terms of the relevant lease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

2. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition – continued

Sale of properties

Revenue from sale of properties in Hong Kong is recognised when the sale and purchase agreement becomes unconditional and it is probable that the economic benefits associated with the sale will flow to the Group.

Revenue from sale of properties in Guam under instalment sale contracts is accounted for on the deposit method whereby the revenue from such sale is deferred and not recognised until settlement of the sale proceeds by the purchaser in full or upon transfer of the title of the property to the purchaser on receipt of a substantial amount of deposit by the Group.

Investments

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

Treasury operations

Interest income from bank deposits and loans receivable is recognised on a time proportion basis that takes into account the effective yield on the deposits and loans.

3. TURNOVER

The Group's turnover comprises rental from lease of properties and proceeds from sale of properties and is analysed as follows:

	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Lease of properties	75,079,021	65,978,748
Sale of properties	134,124	286,693
	<u>75,213,145</u>	<u>66,265,441</u>

More than 90% of the Group's turnover and profit from operations were derived from lease of properties in Hong Kong.

4. OTHER REVENUE

	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Interest on bank deposits	5,377,144	5,035,170
Other interest income	60,819	171,077
Dividends from listed investments	217,009	197,093
	<u>5,654,972</u>	<u>5,403,340</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

5. PROFIT FROM OPERATIONS

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	478,994	470,905
Depreciation in respect of:		
Investment properties	16,574	16,576
Other fixed assets	193,385	86,115
Staff costs including directors' remuneration (<i>Note</i>)	5,058,203	4,995,698
Gross rental from investment properties, less outgoings of HK\$18,168,056 (2000: HK\$16,768,567)	<u>(56,910,965)</u>	<u>(49,210,181)</u>

Note: Included in staff costs are retirement benefit scheme contributions of HK\$163,981 (2000: HK\$157,855) which have been arrived at after deducting forfeited contributions of HK\$37,711 (2000: HK\$66,879).

6. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

(a) Directors' emoluments

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Directors' fees:		
Executives	40,000	40,000
Independent non-executives	20,000	20,000
Other emoluments to executive directors:		
Salaries and other benefits	474,620	581,209
Contributions to retirement benefit scheme	22,716	28,266
	<u>557,336</u>	<u>669,475</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

6. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES – continued

(b) Employees' emoluments

The five highest paid individuals of the Group included two (2000: one) directors of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining three (2000: four) individuals were as follows:

	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Salaries and other benefits	828,332	1,169,815
Contributions to retirement benefit scheme	<u>24,216</u>	<u>27,852</u>
	<u><u>852,548</u></u>	<u><u>1,197,667</u></u>

The aggregate emoluments of each of the aforementioned employees are individually below HK\$1,000,000 for both years presented.

7. FINANCE COSTS

	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Interest on:		
Bank loans and overdrafts	14,494,842	14,958,767
Finance leases	22,633	–
Other liabilities wholly repayable within five years	<u>2,946,280</u>	<u>2,433,947</u>
	<u><u>17,463,755</u></u>	<u><u>17,392,714</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

8. TAXATION

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
The charge (credit) comprises:		
Company and subsidiaries		
Hong Kong Profits Tax	5,206,748	4,093,188
Overseas tax	142,000	157,000
Tax refunded	–	(910,777)
Deferred taxation (<i>note 24</i>)	154,569	670,888
Associates		
Hong Kong Profits Tax	105,702	92,248
	5,609,019	4,102,547
	5,609,019	4,102,547

Hong Kong Profits Tax is calculated at 16% (2000: 16%) on the estimated assessable profit for the year. Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

Details of the potential deferred taxation not provided for in the year are set out in note 24.

9. NET PROFIT FOR THE YEAR

Of the Group's net profit for the year of HK\$32,405,003 (2000: HK\$24,603,912), a profit of HK\$26,813,158 (2000: HK\$11,609,336) has been dealt with in the financial statements of the Company.

10. DIVIDENDS

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Interim dividend paid:		
HK\$0.08 (2000: Nil) per ordinary share	5,420,800	–
Special interim dividend paid:		
Nil (2000: HK\$0.08) per ordinary share	–	5,420,800
Final dividend proposed:		
HK\$0.25 (2000: HK\$0.20) per ordinary share	16,940,000	13,552,000
	22,360,800	18,972,800
	22,360,800	18,972,800

The final dividend of HK\$0.25 (2000: HK\$0.20) per ordinary share has been proposed by the directors and is subject to the approval by the shareholders at the forthcoming annual general meeting.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

11. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the year of HK\$32,405,003 (2000: HK\$24,603,912) and on 67,760,000 (2000: 67,760,000) ordinary shares in issue during the year.

12. INVESTMENT PROPERTIES

	Land and buildings in Hong Kong <i>HK\$</i>	Land and buildings in Guam, U.S.A. <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP			
VALUATION			
At 1st February, 2000	1,122,000,000	31,752,725	1,153,752,725
Decrease on revaluation	<u>(3,600,000)</u>	<u>(3,048,725)</u>	<u>(6,648,725)</u>
At 31st January, 2001	<u>1,118,400,000</u>	<u>28,704,000</u>	<u>1,147,104,000</u>
DEPRECIATION			
At 1st February, 2000	–	2,699,776	2,699,776
Provided for the year	<u>–</u>	<u>16,574</u>	<u>16,574</u>
At 31st January, 2001	<u>–</u>	<u>2,716,350</u>	<u>2,716,350</u>
NET BOOK VALUES			
At 31st January, 2001	<u>1,118,400,000</u>	<u>25,987,650</u>	<u>1,144,387,650</u>
At 31st January, 2000	<u>1,122,000,000</u>	<u>29,052,949</u>	<u>1,151,052,949</u>
			Land and buildings in Guam, U.S.A. <i>HK\$</i>

THE COMPANY

VALUATION

At 1st February, 2000		28,008,725
Decrease on revaluation		<u>(3,048,725)</u>
At 31st January, 2001		<u>24,960,000</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

12. INVESTMENT PROPERTIES – continued

An analysis of the valuation of the Group's and the Company's investment properties is set out below:

	THE GROUP		THE COMPANY	
	2001 <i>HK\$</i>	2000 <i>HK\$</i>	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Land and buildings				
at professional valuation:				
In Hong Kong on				
– long leases	716,400,000	704,700,000	–	–
– medium-term leases	402,000,000	417,300,000	–	–
	1,118,400,000	1,122,000,000	–	–
In Guam, U.S.A.				
on freehold land	24,960,000	28,008,725	24,960,000	28,008,725
	1,143,360,000	1,150,008,725	24,960,000	28,008,725
Other land and buildings				
at 1983 professional valuation:				
In Guam, U.S.A. on				
– short lease	2,418,000	2,418,000	–	–
– freehold land	1,326,000	1,326,000	–	–
	1,147,104,000	1,153,752,725	24,960,000	28,008,725

The investment properties of the Group in Hong Kong at 31st January, 2001 are carried at their open market value at that date as valued by DTZ Debenham Tie Leung Limited. The investment properties of the Group and the Company in Guam, U.S.A. at 31st January, 2001 with a carrying value of HK\$24,960,000 (2000: HK\$28,008,725) are carried at their open market value at that date as valued by Micronesian Appraisal Associates, Inc.. The valuers are independent firms of property valuers.

Other land and buildings in Guam carried at 1983 professional valuation which are insignificant to the Group in terms of both market value and profit contribution are carried at 1983 professional valuation less subsequent depreciation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

13. OTHER PROPERTIES

	THE GROUP		THE COMPANY	
	2001 <i>HK\$</i>	2000 <i>HK\$</i>	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Land in Guam, U.S.A.				
Freehold				
At cost	48,804,776	48,804,776	22,473,461	22,473,461
At professional valuation				
– 1975	68,841,274	68,841,274	–	–
– 1983	14,981,312	14,981,312	–	–
Long lease				
At 1983 professional valuation	5,460,000	5,460,000	–	–
	138,087,362	138,087,362	22,473,461	22,473,461
Properties in Hong Kong on medium-term lease held for development, at cost	38,026,765	38,026,765	–	–
	176,114,127	176,114,127	22,473,461	22,473,461

The Group's land in Guam, U.S.A., is held for long term purpose. If such land had not been revalued, it would have been included at the book value on a historical cost basis of approximately HK\$120,675,000 (2000: HK\$120,675,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

14. OTHER FIXED ASSETS

**Furniture,
fixtures, office
equipment and
motor vehicles**
HK\$

THE GROUP

COST

At 1st February, 2000	1,539,983
Additions	507,614
Disposals	<u>(70,135)</u>
At 31st January, 2001	<u>1,977,462</u>

DEPRECIATION

At 1st February, 2000	1,165,006
Provided for the year	193,385
Eliminated on disposals	<u>(70,135)</u>
At 31st January, 2001	<u>1,288,256</u>

NET BOOK VALUES

At 31st January, 2001	<u>689,206</u>
At 31st January, 2000	<u>374,977</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

14. OTHER FIXED ASSETS – continued

	Furniture, fixtures, office equipment and motor vehicles <i>HK\$</i>
THE COMPANY	
COST	
At 1st February, 2000	661,427
Additions	491,244
Disposals	<u>(70,135)</u>
At 31st January, 2001	<u>1,082,536</u>
DEPRECIATION	
At 1st February, 2000	585,574
Provided for the year	135,922
Eliminated on disposals	<u>(70,135)</u>
At 31st January, 2001	<u>651,361</u>
NET BOOK VALUES	
At 31st January, 2001	<u><u>431,175</u></u>
At 31st January, 2000	<u><u>75,853</u></u>

The net book values of furniture, fixtures, office equipment and motor vehicles of the Group include an amount of HK\$442,119 (2000: Nil) in respect of assets held under finance leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

15. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Unlisted shares		
– at cost	10,510,000	10,510,000
– at 1976 directors' valuation	34,475,000	34,475,000
	<hr/>	<hr/>
	44,985,000	44,985,000
Amounts due from subsidiaries	352,179,976	321,197,782
	<hr/>	<hr/>
	397,164,976	366,182,782
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Particulars of the subsidiaries at 31st January, 2001 which are incorporated and operating in Hong Kong, except otherwise indicated, are as follows:

Name of company	Class of shares held	Particulars of issued capital		Proportion of nominal value of issued capital held by the Company		Principal activities
		Number of shares	Par value per share	Directly	Indirectly	
				%	%	
James S. Lee & Company Clothing Mill (Hong Kong) Limited	Ordinary	20,000	HK\$100	87.25	–	Share and property investment
Dynasty Hotel Limited	Ordinary	15,000	HK\$100	100	–	Share and property investment
Oxford Construction Company Limited	Ordinary	5,000	HK\$100	100	–	Inactive
Pacific Interests, Inc. (note i)	Common stock	2,000,000	US\$1	100	–	Property investment
Oxford Finance Company Limited	Ordinary	10,000,000	HK\$1	100	–	Inactive
International Peaceful Interests Limited	Ordinary	10,000	HK\$1	100	–	Share investment and provision of property agency services

NOTES TO THE FINANCIAL STATEMENTS

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15. INTERESTS IN SUBSIDIARIES – continued

Name of company	Class of shares held	Particulars of issued capital		Proportion of nominal value of issued capital held by the Company		Principal activities
		Number of shares	Par value per share	Directly %	Indirectly %	
House of Fashion Limited	Ordinary	1,000	HK\$100	–	88	Share investment
James S. Lee & Company (Kowloon) Limited	Ordinary	1,000	HK\$1,000	–	95	Share and property investment
Guam Yokoi Look Limited	Ordinary	2	HK\$200	–	100	Share investment
First Island Industry, Inc. (note i)	Common stock	4,500,000	US\$1	–	100	Property investment and development
Guam United Trading Services & Financing Company, Inc. (note i)	Common stock	19,998	US\$1	–	100	Property investment
James S. Lee & Co. (Guam) Limited (note i)	Common stock	1,000	US\$100	–	100	Share and property investment
Trisight (BVI) Limited (note ii)	Ordinary	1	HK\$1	–	100	Share investment
Trisight Limited	Ordinary	100,000	HK\$1	–	100	Property investment
Link Consultants Limited (note iii)	Common stock	5,000	US\$1	–	100	Share investment
Bermuda Consultants Limited	Ordinary	1,000	HK\$1	–	100	Property investment

Notes:

- (i) Incorporated and operated in Guam, U.S.A.
- (ii) Incorporated in the British Virgin Islands
- (iii) Incorporated in Bahama

NOTES TO THE FINANCIAL STATEMENTS

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16. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Unlisted associates:				
Shares, at cost	–	–	250,000	250,000
Share of attributable net assets	20,645,962	18,073,976	–	–
	20,645,962	18,073,976	250,000	250,000
Amount due from an associate	5,262,865	4,998,826	–	–
	25,908,827	23,072,802	250,000	250,000

Particulars of the associates at 31st January, 2001, which are incorporated entities, are as follows:

Name of company	Place of incorporation and operation	Class of shares held	Proportion of nominal value of issued capital held by the Group %	Principal activities
Modern Aspac Development Company Limited	Hong Kong	Ordinary	50	Investment holding
Guam Tourist Development Company	Guam, U.S.A.	Common stock	50	Property investment

17. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Not held for trading equity securities:				
Listed in Hong Kong	9,048,260	6,909,704	–	–
Unlisted	188,500	188,500	–	–
Less: provision	(188,499)	(188,499)	–	–
	9,048,261	6,909,705	–	–
Unlisted club debentures	80,000	80,000	80,000	80,000
	9,128,261	6,989,705	80,000	80,000
Market value of listed securities	9,048,260	6,909,704	–	–

NOTES TO THE FINANCIAL STATEMENTS

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18. TRADE AND OTHER RECEIVABLES

The Group does not allow any credit period to its trade customers. The following is an aged analysis of accounts receivables at the reporting date:

	THE GROUP	
	2001 HK\$	2000 HK\$
0 – 60 days	4,322,567	3,123,583
61 – 90 days	614,058	1,439,514
Over 90 days	1,213,535	2,749,465
	<u>6,150,160</u>	<u>7,312,562</u>

19. TRADE AND OTHER PAYABLES

The following is an analysis of accounts payables at the reporting date:

	THE GROUP	
	2001 HK\$	2000 HK\$
Trade payables due between 0 – 60 days	6,124,212	13,227,774
Other payables (<i>Note</i>)	64,581,562	52,014,138
	<u>70,705,774</u>	<u>65,241,912</u>

Note: Included in other payables is an amount of HK\$32,712,367 (2000: HK\$29,757,949) which carries interest at Hong Kong prime rate plus one percent.

20. SHARE CAPITAL

	THE GROUP AND THE COMPANY	
	2001 HK\$	2000 HK\$
Authorised:		
100,000,000 ordinary shares of HK\$1 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
67,760,000 ordinary shares of HK\$1 each	<u>67,760,000</u>	<u>67,760,000</u>

As at 31st January, 2001, 533,400 (2000: 533,400) shares of the Company were held by an associate.

There was no movement in the share capital of the Company for the two years ended 31st January, 2001.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

21. RESERVES

	Investment property revaluation reserve <i>HK\$</i>	Investment securities revaluation reserve <i>HK\$</i>	Exchange fluctuation reserve <i>HK\$</i>	Other reserves <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP						
At 1st February, 1999	652,957,358	5,566,524	16,900,742	27,342,151	307,557,757	1,010,324,532
Net decrease on revaluation of investment properties, adjusted for minority interests	(6,936,746)	-	-	-	-	(6,936,746)
Gains (losses) on revaluation of investments in securities held by						
- subsidiaries, adjusted for minority interests	-	1,981,060	-	-	-	1,981,060
- associates	-	(173,300)	-	-	-	(173,300)
Profit for the year	-	-	-	-	24,603,912	24,603,912
Dividends	-	-	-	-	(18,972,800)	(18,972,800)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st January, 2000	646,020,612	7,374,284	16,900,742	27,342,151	313,188,869	1,010,826,658
Net decrease on revaluation of investment properties adjusted for minority interests	(4,356,978)	-	-	-	-	(4,356,978)
Gains on revaluation of investments in securities held by						
- subsidiaries, adjusted for minority interests	-	2,139,458	-	-	-	2,139,458
- associates	-	2,167,379	-	-	-	2,167,379
Profit for the year	-	-	-	-	32,405,003	32,405,003
Dividends	-	-	-	-	(22,360,800)	(22,360,800)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st January, 2001	<u>641,663,634</u>	<u>11,681,121</u>	<u>16,900,742</u>	<u>27,342,151</u>	<u>323,233,072</u>	<u>1,020,820,720</u>

The Group's retained profits attributable to associates at 31st January, 2001 amounted to HK\$636,262 (2000: HK\$186,492).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

21. RESERVES – continued

	Investment property revaluation reserve <i>HK\$</i>	Investment securities revaluation reserve <i>HK\$</i>	Exchange fluctuation reserve <i>HK\$</i>	Other reserves <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
THE COMPANY						
At 1st February, 1999	–	–	–	185,904	30,336,248	30,522,152
Profit for the year	–	–	–	–	11,609,336	11,609,336
Dividends	–	–	–	–	(18,972,800)	(18,972,800)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st January, 2000	–	–	–	185,904	22,972,784	23,158,688
Profit for the year	–	–	–	–	26,813,158	26,813,158
Dividends	–	–	–	–	(22,360,800)	(22,360,800)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st January, 2001	<u>–</u>	<u>–</u>	<u>–</u>	<u>185,904</u>	<u>27,425,142</u>	<u>27,611,046</u>

The Company's reserves available for distribution to shareholders as at 31st January, 2001 represent retained profits of HK\$27,425,142 (2000: HK\$22,972,784).

22. BANK LOANS

	THE GROUP		THE COMPANY	
	2001 <i>HK\$</i>	2000 <i>HK\$</i>	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Secured bank loans repayable:				
– within one year	29,431,143	25,128,160	1,205,947	1,304,495
– more than one year, but not exceeding two years	30,948,450	26,424,113	1,329,040	1,198,917
– more than two years, but not exceeding five years	83,954,323	110,210,444	4,854,323	13,634,179
– more than five years	7,815,559	–	7,815,559	–
	<hr/>	<hr/>	<hr/>	<hr/>
	152,149,475	161,762,717	15,204,869	16,137,591
Less: Amount due within one year included in current liabilities	<hr/>	<hr/>	<hr/>	<hr/>
	(29,431,143)	(25,128,160)	(1,205,947)	(1,304,495)
	<hr/>	<hr/>	<hr/>	<hr/>
Amount due after one year	<u>122,718,332</u>	<u>136,634,557</u>	<u>13,998,922</u>	<u>14,833,096</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

23. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
The maturity of obligations under finance leases is as follows:		
Within one year	95,060	–
More than one year, but not exceeding two years	95,060	–
More than two years, but not exceeding five years	158,433	–
	<hr/>	<hr/>
	348,553	–
Less: Amount due within one year shown under current liabilities	(95,060)	–
	<hr/>	<hr/>
Amount due after one year	253,493	–
	<hr/> <hr/>	<hr/> <hr/>

24. DEFERRED TAXATION

	THE GROUP	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Deferred taxation attributable to excess of tax allowances over depreciation:		
Balance at beginning of the year	1,444,671	773,783
Charge for the year (<i>note 8</i>)	154,569	670,888
	<hr/>	<hr/>
Balance at end of the year	1,599,240	1,444,671
	<hr/> <hr/>	<hr/> <hr/>

At the balance sheet date, the major components of unprovided deferred tax assets (liabilities) were as follows:

	THE GROUP	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	(2,201,601)	(3,177,363)
Tax losses	5,385,324	5,035,390
	<hr/>	<hr/>
	3,183,723	1,858,027
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

24. DEFERRED TAXATION – continued

The amount of unprovided deferred tax credit of the Group for the year is as follows:

	THE GROUP	
	2001 HK\$	2000 HK\$
Differences between tax allowances and depreciation	975,762	599,317
Tax losses arising	349,934	465,817
	<u>1,325,696</u>	<u>1,065,134</u>

A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

Deferred tax has not been provided on the increase arising on revaluation of the investment properties situated in Hong Kong and investments in securities as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation does not constitute a timing difference for tax purposes.

Deferred tax has not been provided on the increase arising on revaluation of the investment properties and other properties situated overseas as they are held for long term investment purposes and are not expected to be disposed of in the foreseeable future.

The Company had no material deferred taxation not accounted for in the financial statements.

25. OTHER DEFERRED ITEMS

	THE GROUP	
	2001 HK\$	2000 HK\$
Income on sale of properties:		
Deposits and interests received	1,610,846	1,662,696
Less: Cost of properties sold under instalment contracts	(356,000)	(426,496)
Attributable income tax	(316,625)	(316,625)
	<u>938,221</u>	<u>919,575</u>

Certain of the Group's properties in Guam, U.S.A. have been sold for an aggregate consideration of approximately HK\$1.1 million (2000: HK\$1.2 million) under instalment sales contracts which require a minimum of 10% down payment with interest chargeable on the outstanding balance at 10% per annum. Under the terms of the contract, title to the properties sold does not pass to the buyer until the purchase price has been fully settled or when the buyer requests transfer of title upon payment of 50% or more of the purchase price.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

26. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest free and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date. Accordingly, the amounts are classified as non-current liabilities.

27. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Profit before taxation	40,713,415	31,939,610
Share of results of associates	(510,309)	(269,246)
Depreciation	209,959	102,691
Interest expenses	17,463,755	17,392,714
Interest income	(5,437,963)	(5,206,247)
Dividend income	(217,009)	(197,093)
Movements in assets/liabilities held for operating activities:		
Decrease in trade and other receivables	1,162,402	732,833
(Increase) decrease in deposits and prepayments	(186,557)	1,520,121
Decrease in trade and other payables	(7,240,580)	(687,414)
Increase in deposits and accrued expenses	2,962,866	1,098,840
Increase in other deferred items	18,646	126,846
	48,938,625	46,553,655
NET CASH INFLOW FROM OPERATING ACTIVITIES	48,938,625	46,553,655

28. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank loans	Obligations under finance leases
	<i>HK\$</i>	<i>HK\$</i>
Balance at 1st February, 1999	184,066,585	–
Cash outflow from financing	(22,303,868)	–
	161,762,717	–
Balance at 31st January, 2000	161,762,717	–
Inception of finance leases	–	427,770
Cash outflow from financing	(9,613,242)	(79,217)
	152,149,475	348,553
Balance at 31st January, 2001	152,149,475	348,553

29. NON-CASH TRANSACTION

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$427,770.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2001

30. PLEDGE OF ASSETS

At the balance sheet date, properties of the Group with an aggregate book value of approximately HK\$903 million (2000: HK\$917 million) were mortgaged or charged to banks for credit facilities granted to the Group.

31. CONTINGENT LIABILITIES

At the balance sheet date, the Company had issued guarantees to the extent of approximately HK\$281,200,000 (2000: HK\$281,200,000) for banking facilities granted to certain subsidiaries, of which approximately HK\$167,021,000 (2000: HK\$176,367,000) was utilised.