

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

1. GENERAL

The Company is a public limited company incorporated in Hong Kong. Its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company continues to act as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 17 and 18 respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment 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 31 March 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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 investments in subsidiaries and associates, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary or associate.

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 decline in the value of the subsidiary that is other than temporary.

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, through 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, interests in associates are stated at the Group's share of the net assets of the associates on acquisition so far as it has not already been written off or amortised.

When the Group transacts with its associate, 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.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any decline in the value of the associate that is other than temporary.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in securities

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

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 values 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 in the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment is 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 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 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.

Where 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 future cash flows are not discounted to their present values.

Depreciation is provided to write off the cost of the assets, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Freehold land	Nil
Leasehold land	Over the terms of the lease
Buildings	4% or over the terms of the lease, if higher
Furniture and office equipment	20%
Leasehold improvement	10%
Motor vehicles	25%

Properties held for re-development

Land and buildings held for re-development for production, rental or administrative purposes or for purposes not yet determined are carried at cost, less any provision for diminution in value. Cost includes professional fees, borrowing costs capitalised and other direct cost attributable to such properties. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries or associates which are denominated in currencies other than 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.

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 an asset will crystallise in the foreseeable future.

Revenue recognition

Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the respective lease terms.

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

Sale of investments is recognised when the title to the investment is transferred and the buyer takes legal possession of the investment.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 advances.

3. SEGMENTAL INFORMATION

The Group's turnover and contribution to profit before taxation for the year ended 31 March 2001 analysed by principal activity are as follows:

	Turnover		Contribution to profit before taxation	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Principal activity:				
Property investment	31,388,770	33,263,634	16,053,072	18,608,124
Securities investment	8,235,905	—	2,877,596	—
	<u>39,624,675</u>	<u>33,263,634</u>	<u>18,930,668</u>	<u>18,608,124</u>
Bank interest income			33,752	13,939
Finance costs			(10,611,652)	(10,866,722)
Share of results of associates			7,045,137	7,645,189
Profit before taxation			<u>15,397,905</u>	<u>15,400,530</u>

The majority of the activities of the Group are based in Hong Kong and more than 95% of the Group's turnover and profit before taxation are derived from Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

4. TURNOVER

	2001 HK\$	2000 HK\$
Gross rental income from investment properties	31,388,770	33,263,634
Sale of securities investments	<u>8,235,905</u>	<u>–</u>
	<u><u>39,624,675</u></u>	<u><u>33,263,634</u></u>

5. PROFIT FROM OPERATIONS

	2001 HK\$	2000 HK\$
Profit from operations has been arrived at after charging:		
Auditors' remuneration	270,000	210,000
Depreciation	1,461,982	1,509,208
Exchange loss	544,912	–
Operating leases charges in respect of rented premises	564,880	422,160
Staff costs (including Directors' emoluments)	<u>9,776,719</u>	<u>8,807,906</u>

and after crediting:

Exchange gain	–	99,767
Gain on disposal of other investments	297,895	–
Gross rental income from investment properties	31,388,770	33,263,634
Less: Outgoings	<u>1,483,727</u>	<u>1,477,891</u>
Net rental income	<u><u>29,905,043</u></u>	<u><u>31,785,743</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

6. INTEREST INCOME

	2001	2000
	HK\$	HK\$
Interest income from bank deposits and balances	33,752	13,939
Interest income from other investments	714,929	–
	<u>748,681</u>	<u>13,939</u>

7. FINANCE COSTS

	2001	2000
	HK\$	HK\$
Interest on bank borrowings:		
Wholly repayable within five years	2,827,252	1,158,668
Not wholly repayable within five years	7,784,400	9,708,054
	<u>10,611,652</u>	<u>10,866,722</u>

8. DIRECTORS' EMOLUMENTS

	2001	2000
	HK\$	HK\$
Directors' fees:		
Executive Directors	–	–
Independent Non-Executive Directors	100,000	100,000
Other emoluments (Executive Directors):		
Salaries and other benefits	8,040,850	6,794,000
Mandatory provident fund contributions	8,000	–
Total	<u>8,148,850</u>	<u>6,894,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

8. DIRECTORS' EMOLUMENTS (Continued)

Emoluments of the Directors are within the following bands:

	Number of Directors	
	2001	2000
Nil – HK\$1,000,000	3	3
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$2,000,001 – HK\$2,500,000	1	–
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$4,500,001 – HK\$5,000,000	1	–
	<u>1</u>	<u>–</u>

9. EMPLOYEES' EMOLUMENTS

Of the five highest paid employees in the Group, three (2000 : three) were Directors of the Company whose emoluments were included in note 8. The emoluments of the remaining two (2000: two) individuals were as follows:

	2001	2000
	HK\$	HK\$
Salaries and other benefits	476,300	923,500
Mandatory provident fund contributions	7,245	–
	<u>483,545</u>	<u>923,500</u>

The aggregate emoluments of each of the remaining two highest paid individuals during the years ended 31 March 2001 and 2000 were within the HK\$1,000,000 band.

During the years ended 31 March 2001 and 2000, no emoluments were paid by the Group to the five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

10. TAXATION

	2001 <i>HK\$</i>	2000 <i>HK\$</i>
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax		
Current year	776,115	586,870
(Over)underprovision in prior years	<u>(583,665)</u>	<u>32,950</u>
	192,450	619,820
Share of tax on results of associates	<u>719,581</u>	<u>797,564</u>
	<u><u>912,031</u></u>	<u><u>1,417,384</u></u>

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the year.

Details of the potential deferred tax not provided for in the year are set out in note 26.

11. PROFIT FOR THE YEAR

Of the Group's profit for the year of HK\$14,485,874 (2000: HK\$13,983,146), a profit of HK\$14,282 (2000: a loss of HK\$409,843) has been dealt with in the financial statements of the Company.

12. DIVIDENDS

	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Interim, paid – 1.0 cent per share (2000: 1.0 cent per share)	3,078,125	3,081,385
Final, proposed – 1.5 cents per share (2000: 1.5 cents per share)	<u>4,617,188</u>	<u>4,622,078</u>
	7,695,313	7,703,463
Less: Overprovision of previous year's final dividend due to repurchase of shares	<u>(4,890)</u>	<u>–</u>
	<u><u>7,690,423</u></u>	<u><u>7,703,463</u></u>

The total amount of proposed final dividend is calculated based on shares in issue at the date of approval of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

13. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit for the year of HK\$14,485,874 (2000: HK\$13,983,146) and on the weighted average number of 307,934,845 (2000: 308,138,522) ordinary shares in issue during the year.

14. INVESTMENT PROPERTIES

	<i>HK\$</i>
THE GROUP	
VALUATION	
At 1 April 2000	607,932,642
Exchange adjustment	(1,106,102)
Additions	896,160
Reclassified from properties held for re-development	27,400,000
Surplus on revaluation	<u>3,588,567</u>
At 31 March 2001	<u><u>638,711,267</u></u>

The investment properties of the Group were revalued at 31 March 2001 on an open market value existing use basis by Vigers Hong Kong Limited, Chartered Surveyors and Johnston, Ross & Cheng Ltd., independent valuers. The surplus arising on revaluation has been credited to the investment property revaluation reserve.

The carrying amount of investment properties shown above comprises:

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Properties in Hong Kong under medium-term leases	622,540,000	590,970,000
Properties outside Hong Kong		
Freehold	11,070,067	11,815,765
Long lease	647,400	708,572
Medium-term lease	<u>4,453,800</u>	<u>4,438,305</u>
	<u><u>638,711,267</u></u>	<u><u>607,932,642</u></u>

All the investment properties of the Group are rented out under operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings held under medium-term lease in Hong Kong HK\$	Furniture and office equipments HK\$	Leasehold improvement HK\$	Motor vehicles HK\$	Total HK\$
THE GROUP					
COST					
At 1 April 2000	37,873,546	3,312,509	4,068,009	6,949,994	52,204,058
Additions	–	112,460	357,952	–	470,412
At 31 March 2001	<u>37,873,546</u>	<u>3,424,969</u>	<u>4,425,961</u>	<u>6,949,994</u>	<u>52,674,470</u>
DEPRECIATION					
At 1 April 2000	2,794,375	2,906,304	2,228,399	6,316,661	14,245,739
Provided for the year	452,070	145,793	430,786	433,333	1,461,982
At 31 March 2001	<u>3,246,445</u>	<u>3,052,097</u>	<u>2,659,185</u>	<u>6,749,994</u>	<u>15,707,721</u>
NET BOOK VALUE					
At 31 March 2001	<u>34,627,101</u>	<u>372,872</u>	<u>1,766,776</u>	<u>200,000</u>	<u>36,966,749</u>
At 31 March 2000	<u>35,079,171</u>	<u>406,205</u>	<u>1,839,610</u>	<u>633,333</u>	<u>37,958,319</u>
					Furniture and office equipment HK\$
THE COMPANY					
COST					
At 1 April 2000 and 31 March 2001					258,636
DEPRECIATION					
At 1 April 2000 and 31 March 2001					<u>258,636</u>
NET BOOK VALUE					
At 31 March 2001 and 31 March 2000					<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

16. PROPERTIES HELD FOR RE-DEVELOPMENT

HK\$

THE GROUP

CARRYING VALUE

At 1 April 2000	27,400,000
Reclassified to investment properties	<u>(27,400,000)</u>
At 31 March 2001	<u><u>–</u></u>

During the year, the Directors decided to stop the plan to re-develop Woo Hing Industrial Building due to the condition of the property market and intended to lease out the property instead. It was reclassified as an investment property accordingly.

17. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	HK\$	HK\$
Unlisted shares, at cost	56,036,146	56,036,146
Amounts due from subsidiaries	<u>313,623,582</u>	<u>234,342,855</u>
	369,659,728	290,379,001
Less: Provision	<u>(9,550,300)</u>	<u>–</u>
	<u><u>360,109,428</u></u>	<u><u>290,379,001</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

17. INTERESTS IN SUBSIDIARIES (Continued)

Details of the Company's wholly owned subsidiaries at 31 March 2001 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Principal activity
Bo Ding Holdings Ltd.	Republic of Liberia/ Hong Kong	HK\$1	Investment holding
Funswin Investment Limited	Hong Kong	HK\$2	Securities investment
Grademark Limited	Hong Kong	HK\$2	Property investment
Grant Horn Investment Limited	Hong Kong	HK\$2	Property holding
High Spark Properties Limited	Hong Kong	HK\$20	Property investment
Kamillex Company Limited	Hong Kong	HK\$2	Investment holding
Kimberly Investment Limited	Hong Kong	HK\$2	Property investment
Kimwui Investments Limited	Hong Kong	HK\$2	Property investment
Kinghale Investment Limited	Hong Kong	HK\$2	Inactive
Kingunit Company Limited	Hong Kong	HK\$2	Property investment
Laquinta Investments Limited	The British Virgin Islands/Hong Kong	US\$1	Property investment
Longo Investment Company Limited	Hong Kong	HK\$2	Property investment
Pomeroy Company Limited	Hong Kong	HK\$2	Property investment
Spark View Limited	Hong Kong	HK\$20	Property investment
Strongfort Company Limited	Hong Kong	HK\$40,000	Property investment
Take Easy Investment Limited	Hong Kong	HK\$2	Property investment
Tern China Investments Limited	Hong Kong	HK\$2	Property investment
Tern Real Estate Agency Limited	Hong Kong	HK\$2	Inactive
Wayfaith Investment Limited	Hong Kong	HK\$2	Inactive
Wheel Source Company Limited	Hong Kong	HK\$2	Inactive
Zepersing Limited	Hong Kong	HK\$2	Property investment

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

All subsidiaries are directly owned by the Company except Zepersing Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

18. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Unlisted shares, at cost	–	–	32	32
Share of net assets	119,172,011	104,471,454	–	–
Amount due from an associate	<u>39,896,826</u>	<u>46,646,826</u>	<u>39,896,826</u>	<u>46,646,826</u>
	<u>159,068,837</u>	<u>151,118,280</u>	<u>39,896,858</u>	<u>46,646,858</u>

The amount due from an associate is unsecured, interest-free and has no fixed repayment terms. In the opinion of the Director, the amount will not be repaid within twelve months from the balance sheet date and the amount is therefore classified as non-current.

Details of the Group's associates at 31 March 2001 are as follows:

Name of associate	Place of incorporation/ operation	Issued and fully paid ordinary share capital HK\$	Percentage of equity attributable to the Group	Principal activity
Milsons Investment Limited	Hong Kong	110	27.27%	Not yet commenced business
Spirit Fidelity Limited	Hong Kong	2	50.00%	Trustee
Win Easy Development Limited	Hong Kong	2	50.00%	Property investment

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

18. INTERESTS IN ASSOCIATES (Continued)

The following details have been extracted from the audited financial statements of the Group's principal associate, Win Easy Development Limited:

Operating results for the year ended 31 March:

	2001 HK\$	2000 HK\$
Turnover	18,094,906	17,137,250
Depreciation	20,715	15,105
Profit before taxation	<u>14,090,274</u>	<u>15,290,376</u>
Profit before taxation attributable to the Group	<u>7,045,137</u>	<u>7,645,188</u>

Financial position at 31 March:

	2001 HK\$	2000 HK\$
Non-current assets	324,332,590	307,573,806
Current assets	1,967,442	2,393,945
Current liabilities	(8,162,421)	(7,731,252)
Non-current liabilities	<u>(79,793,652)</u>	<u>(93,293,652)</u>
Shareholders' funds	<u>238,343,959</u>	<u>208,942,847</u>
Shareholders' funds attributable to the Group	<u>119,171,980</u>	<u>104,471,423</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

19. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2001	2000	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
THE GROUP						
Unlisted equity securities						
in Hong Kong	1,500,000	–	–	–	1,500,000	–
Overseas debt securities:						
Unlisted	–	–	6,708,000	–	6,708,000	–
Listed	–	–	11,105,640	–	11,105,640	–
	<u>1,500,000</u>	<u>–</u>	<u>17,813,640</u>	<u>–</u>	<u>19,313,640</u>	<u>–</u>
Market value of listed						
debt securities	<u>–</u>	<u>–</u>	<u>11,105,640</u>	<u>–</u>	<u>11,105,640</u>	<u>–</u>

20. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables is rental receivable of HK\$280,710 (2000: HK\$1,195,277) with defined credit policy. The rental income is billed in advance and settlement is expected upon receipt of billing.

All the rental receivable at the balance sheet date is receivable within 3 months.

21. TRADE AND OTHER PAYABLES

Included in trade and other payables is rental receipt in advance of HK\$549,729 (2000: HK\$536,511).

All the rental receipt in advance at the balance sheet date is repayable within 3 months.

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22. SHARE CAPITAL

	Number of ordinary shares of HK\$0.5 each		Nominal value	
	2001	2000	2001	2000
			HK\$	HK\$
THE COMPANY				
Authorised:				
At 1 April and 31 March	<u>400,000,000</u>	<u>400,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
Issued and fully paid:				
At 1 April	308,138,522	308,138,522	154,069,261	154,069,261
Shares repurchased and cancelled	<u>(326,000)</u>	<u>–</u>	<u>(163,000)</u>	<u>–</u>
At 31 March	<u>307,812,522</u>	<u>308,138,522</u>	<u>153,906,261</u>	<u>154,069,261</u>

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate consideration paid (before expenses) HK\$
		Highest HK\$	Lowest HK\$	
August 2000	326,000	1.40	1.40	456,400

The repurchased shares were subsequently cancelled upon repurchase and accordingly, the issued capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the accumulated profits of the Company.

NOTES TO THE FINANCIAL STATEMENTS

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23. RESERVES

	Share premium account <i>HK\$</i>	Investment property revaluation reserve <i>HK\$</i>	Capital redemption reserve <i>HK\$</i>	Accumulated profits <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP					
At 1 April 1999	72,818,414	191,195,019	2,499,000	232,650,089	499,162,522
Share of reserve movement of an associate during the year	–	20,110,669	–	–	20,110,669
Surplus on revaluation	–	3,605,568	–	–	3,605,568
Profit for the year	–	–	–	13,983,146	13,983,146
Dividends	–	–	–	(7,703,463)	(7,703,463)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2000	72,818,414	214,911,256	2,499,000	238,929,772	529,158,442
Share of reserve movement of an associate during the year	–	8,375,001	–	–	8,375,001
Surplus on revaluation	–	3,588,567	–	–	3,588,567
Repurchase of shares	–	–	163,000	(458,102)	(295,102)
Profit for the year	–	–	–	14,485,874	14,485,874
Dividends	–	–	–	(7,690,423)	(7,690,423)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001	<u>72,818,414</u>	<u>226,874,824</u>	<u>2,662,000</u>	<u>245,267,121</u>	<u>547,622,359</u>
Attributable to:					
The Company and subsidiaries	72,818,414	175,514,428	2,662,000	177,455,538	428,450,380
Associates	–	51,360,396	–	67,811,583	119,171,979
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<u>72,818,414</u>	<u>226,874,824</u>	<u>2,662,000</u>	<u>245,267,121</u>	<u>547,622,359</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

23. RESERVES (Continued)

	Share premium account <i>HK\$</i>	Investment property revaluation reserve <i>HK\$</i>	Capital redemption reserve <i>HK\$</i>	Accumulated profits <i>HK\$</i>	Total <i>HK\$</i>
THE COMPANY					
At 1 April 1999	72,818,414	–	2,499,000	31,131,782	106,449,196
Loss for the year	–	–	–	(409,843)	(409,843)
Dividends	–	–	–	(7,703,463)	(7,703,463)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2000	72,818,414	–	2,499,000	23,018,476	98,335,890
Repurchase of shares	–	–	163,000	(458,102)	(295,102)
Profit for the year	–	–	–	14,282	14,282
Dividends	–	–	–	(7,690,423)	(7,690,423)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001	<u>72,818,414</u>	<u>–</u>	<u>2,662,000</u>	<u>14,884,233</u>	<u>90,364,647</u>

The Company's reserves available for distribution to shareholders, calculated in accordance with generally accepted accounting principles in Hong Kong and section 79B of the Companies Ordinance, amounted to HK\$14,884,233 (2000: HK\$23,018,476) since, in accordance with the Company's Articles of Association, dividends can only be distributed out of realised profits of the Company.

Included in the investment property revaluation reserve is an amount of HK\$27,981,212 (2000: HK\$27,981,212) which arose in the period before the property, 29 Granville Road, Tsimshatsui was reclassified as an investment property. On the subsequent sale or retirement of this property, such revaluation surplus will be transferred to accumulated profits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

24. BANK LOANS

	THE GROUP	
	2001	2000
	HK\$	HK\$
The secured bank loans are repayable as follows:		
Within one year	17,013,240	13,762,312
More than one year but not exceeding two years	8,560,704	4,945,334
More than two years but not exceeding five years	29,377,782	16,805,956
More than five years	55,416,594	77,082,177
	<u>110,368,320</u>	<u>112,595,779</u>
Less: Amount due within one year	(17,013,240)	(13,762,312)
	<u>93,355,080</u>	<u>98,833,467</u>

25. 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 repaid within twelve months from the balance sheet date and the amounts are therefore classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

26. DEFERRED TAXATION

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.

At the balance sheet date, the major components of the potential deferred tax assets unprovided are as follows:

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Tax effect of timing differences because of:				
Excess of depreciation				
over tax allowances	96,365	133,720	1,389	1,103
Tax losses	1,529,660	1,742,923	125,638	199,991
	<u>1,626,025</u>	<u>1,876,643</u>	<u>127,027</u>	<u>201,094</u>

The amount of the unprovided deferred tax (charge) credit for the year is as follows:

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Tax effect of timing differences because of:				
Difference between depreciation				
over tax allowances	(37,355)	179,022	286	(578)
Tax losses (utilised) arising	(213,263)	564,228	(74,353)	94,868
	<u>(250,618)</u>	<u>743,250</u>	<u>(74,067)</u>	<u>94,290</u>

Deferred tax has not been provided on the surplus arising on the revaluation of investment properties situated in Hong Kong as profits arising on the disposal of these assets would not be subject to taxation. The surplus arising on the revaluation of investment properties outside Hong Kong was immaterial.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

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

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Profit before taxation	15,397,905	15,400,530
Share of results of associates	(7,045,137)	(7,645,189)
Interest income	(748,681)	(13,939)
Interest expenses	10,611,652	10,866,722
Depreciation	1,461,982	1,509,208
Unrealised holding gain on other investments	(1,864,772)	–
Written off of club debenture	21,000	–
Exchange adjustment on investment properties	1,106,102	(604,426)
Decrease (increase) in trade and other receivables	707,460	(106,366)
Increase (decrease) in trade and other payables	60,945	(3,747,673)
Decrease in rental deposits from tenants	(420,312)	(341,897)
	<u>19,288,144</u>	<u>15,316,970</u>
Net cash inflow from operating activities	<u>19,288,144</u>	<u>15,316,970</u>

28. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank loans
	<i>HK\$</i>
At 1 April 1999	113,407,460
New bank loans raised	60,000,000
Repayment of bank loans	<u>(60,811,681)</u>
At 31 March 2000	112,595,779
New bank loans raised	44,400,000
Repayment of bank loans	<u>(46,627,459)</u>
At 31 March 2001	<u>110,368,320</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

29. PENSION SCHEME

From 1 December 2000 onwards, all existing staff members of the Group joined the mandatory provident fund scheme (the "MPF").

The MPF is defined contribution scheme and the assets of the scheme are managed by the trustees.

The MPF is available to all employees aged 18 to 64 and with at least 60 days of service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% based on the staff's relevant income. The maximum relevant income for contribution purpose is HK\$20,000 per month. Staff members are entitled to 100% of the Group's contributions together with accrued returns irrespective of their length of service with the Group, but the benefits are required by law to be preserved until the retirement age of 65.

The Group's cost for the MPF charged to income statement for the year ended 31 March 2001 amounted to HK\$22,113 (2000: Nil).

30. PLEDGE OF ASSETS

At the balance sheet date, the Group's banking facilities totalling HK\$175,249,385 (2000: HK\$197,651,800) were secured by its land and buildings and investment properties with an aggregate net book value amounting to HK\$433,186,953 (2000: HK\$484,404,937). These facilities were utilised to the extent of HK\$149,930,574 (2000: HK\$160,964,091) at the balance sheet date.

31. CONTINGENT LIABILITIES

At the balance sheet date, there were contingent liabilities, so far as not provided for in the financial statements, in respect of guarantees for the banking facilities made available to:

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Subsidiaries	<u>–</u>	<u>–</u>	<u>129,951,800</u>	<u>117,351,800</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2001

3.2. LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented properties as follows:

	THE GROUP	
	2001	2000
	HK\$	HK\$
Operating leases which expire:		
Within one year	–	94,080
In the second to fifth year inclusive	<u>576,000</u>	<u>–</u>
	<u><u>576,000</u></u>	<u><u>94,080</u></u>