

### I. GENERAL

The Company is a listed limited company incorporated in Hong Kong. The principal activities of the Group are property investment and development, manufacturing and sales of plastic packaging materials, stock broking & finance and investments in securities.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and the Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants. A summary of the significant accounting policies which have been adopted in preparation of the financial statements is set out below:

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st March, 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

#### **Subsidiaries**

Investments in subsidiaries are stated at cost unless, in the opinion of the directors, there has been a permanent diminution in value, when they are written down to a value determined by the directors.

#### **Associates**

An associate is an enterprise, not being a subsidiary or joint venture, in which the Group has a long term equity interest and over which the Group is in a position to exercise significant influence in management, including participation in financial and operating policy decisions.

The results of associates are accounted for by the Group using the equity method of accounting. At the balance sheet date, the Group's investments in associates are stated at its attributable share of net assets in the associates.

Investments in associates are stated in the Company's balance sheet at cost less provision, if necessary, for any permanent diminution in value. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)**Goodwill**

Goodwill arising from consolidation of subsidiaries and from acquisition of associates represents the excess of purchase consideration over the fair values ascribed to the net assets of subsidiaries and associates acquired and is written off to reserves in the year of acquisition.

Upon disposal of subsidiaries or associates, the relevant portion of attributable goodwill previously written off to reserves is realised and charged to the income statement in arriving at the gain or loss on sale of the investments.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its 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 asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from 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 an asset over its estimated useful life using the following rates per annum:

Land held under medium term leases	Over the unexpired period of the lease
Buildings	Over the shorter of its useful life or unexpired period of the lease
Plant and machinery	10%-20% on reducing balance method
Furniture, fixtures and equipment	15%-25% on reducing balance method
Motor vehicles	15%-25% on reducing balance method

Medium term lease is defined as a lease of over 10 years but not more than 50 years.

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

#### **Investment properties**

Investment properties are properties which are income producing and held for long term for their investment potential.

No depreciation is provided in respect of investment properties which are held on leases with an unexpired term of more than twenty years. Investment properties are stated at their open market value based on the professional valuations at the balance sheet date.

Any surplus or deficit arising on the valuation of investment properties are dealt with in the investment property revaluation 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 income statement.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment property revaluation reserve to the income statement.

#### **Properties under development**

Properties under development are stated at cost less provisions where appropriate. Cost includes the cost of land, construction costs, financing cost and development expenditure capitalised.

#### **Capitalisation of 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 Securities**

Investment securities are stated at cost less provision for diminution in value.

The carrying amount of individual investment is reviewed at each balance sheet date to assess whether the fair value has declined below the carrying amount. When a decline other than temporary has occurred, the carrying amount of such investment is reduced to its fair value. The amount of the reduction is recognised as an expense in the income statement.

#### **Other investments**

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the income statement. Profits or losses on disposal of other investments, representing the differences between the net sales proceeds and the carrying amounts, are recognised in the income statement as they arise.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

#### Trading properties

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the acquisition cost, financing cost and decoration cost capitalised. Net realisable value is the estimated selling price at which a property can be realised less related expenses.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and comprised of direct materials, direct labour cost and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less further costs expected to completion and costs to be incurred in selling and distribution.

#### Deferred taxation

Deferred taxation is provided, using the liability method, on all significant timing differences to the extent it is probable that the assets or liabilities will crystallise in the foreseeable future.

#### Recognition of revenue

- (i) Rental income under operating leases is recognised, on a straight-line basis over the lease terms.
- (ii) Guest house income is recognised when guest house services are provided.
- (iii) Income from sale of goods is recognised when goods are delivered and title has passed to customers.
- (iv) Income from sale of trading properties is recognised when the relevant contract is made and properly executed.
- (v) Brokerage income is recognised when the relevant contract note is made and properly executed.
- (vi) Gains on foreign exchange dealings are recognised when the exchange memorandum are made and properly executed respectively.
- (vii) Dividend income from investment is recognised when the shareholders' right to receive payment has been established. Dividend income from subsidiaries is recognised in the period to which the dividend relates.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

**Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the approximate rates of exchange ruling at the balance sheet date. Foreign currency transactions during the year are translated into Hong Kong dollars at the approximate rates of exchange ruling at the transaction dates. Profit and loss arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the approximate rates of exchange ruling at the balance sheet date. All exchange differences arising on consolidation are dealt with in the exchange reserve.

**Retirement benefit costs**

The Group's contributions to the retirement schemes are expensed as 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 advances.

**Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

**3. TURNOVER**

Turnover comprises the aggregate of gross invoiced values of goods sold less discounts and returns, gross proceeds from sale of trading properties, gross rental income, brokerage commission, guest house income, gains on foreign exchange dealings and dividend income.

	<b>2001</b>	2000
	<b>HK\$</b>	HK\$
Sale of goods	<b>128,135,185</b>	116,295,416
Sale of trading properties	<b>7,992,744</b>	21,234,792
Gross rental income	<b>17,647,058</b>	18,770,688
Brokerage commission	<b>21,592,848</b>	24,830,673
Guest house income	<b>4,162,405</b>	4,092,215
Gains on foreign exchange dealings	<b>633,814</b>	594,301
Dividend income	<b>111,480</b>	—
	<b><u>180,275,534</u></b>	<u>185,818,085</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 4. OTHER REVENUES

	2001 HK\$	2000 HK\$
Interest income	4,261,223	2,669,390
Other income	1,901,397	2,010,019
Unrealised holding gains on other investments	12,120,579	8,465,726
Consultancy & management fee	437,880	462,140
Profit on disposals of other investments	7,135,546	–
	<u>25,856,625</u>	<u>13,607,275</u>

### 5. PROFIT FROM OPERATIONS

	2001 HK\$	2000 HK\$
Profit from operations is arrived at after charging:		
Auditors' remuneration	606,800	583,800
Cost of inventories sold	93,131,433	76,479,431
Cost of trading properties sold	8,305,831	21,237,327
Disposals loss on investment securities		
– listed	–	1,679,411
– unlisted	–	143,667
Diminution in value of unlisted other investment	172,067	–
Diminution in value of trading properties	4,398,414	–
Exchange loss	981,703	1,697,309
Provision for bad debts	3,129,096	–
Loss on disposals of fixed assets	–	181,460
Staff costs (including directors' remuneration)	32,719,391	26,876,734
Salaries, wages and welfare	32,638,306	26,876,734
Severance payment	81,085	–
Operating lease rental in respect of land and buildings	1,279,200	1,221,200
Depreciation	4,814,919	4,486,795
and after crediting:		
Profit on disposal of fixed assets	52,698	–
Gross rental income from investment properties	17,647,058	18,770,688
Less: outgoings	(316,085)	(292,371)
Net rental income	<u>17,330,973</u>	<u>18,478,317</u>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 6. FINANCE COSTS

	2001 HK\$	2000 HK\$
Interest on:		
Bank loans and overdrafts wholly repayable within five years	12,542,224	15,706,203
Bank loans wholly repayable in more than five years	—	115,623
Other borrowings	4,831,664	724,745
Bank charges	535,152	609,612
	<u>17,909,040</u>	<u>17,156,183</u>

### 7. DIRECTORS' AND EMPLOYEES' REMUNERATION

Directors' remuneration disclosed pursuant to Section 161 of the Companies Ordinance and the Listing Rules of The Stock Exchange of Hong Kong Limited was as follows:

	2001 HK\$	2000 HK\$
Fees	210,000	200,000
Salaries and other allowances*	4,590,752	4,291,601
Bonuses paid and payable	526,972	—
	<u>5,327,724</u>	<u>4,491,601</u>

\* Including consultancy fees paid to Sonliet Investment Company Limited, Holytex Investment Company Limited and Rolling Development Limited of which Mr. Chua Nai Tuen, Mr. Se Ying Kin and Mr. Chua Nai King were directors respectively.

The remuneration of the above directors fell within the following bands:

	2001 Number of directors	2000 Number of directors
Nil — HK\$1,000,000	8	8
HK\$1,000,001 — HK\$1,500,000	1	1
HK\$1,500,001 — HK\$2,000,000	—	—
HK\$2,000,001 — HK\$2,500,000	—	1
HK\$2,500,001 — HK\$3,000,000	1	—
	<u>10</u>	<u>10</u>

**7. DIRECTORS' AND EMPLOYEES' REMUNERATION** (Cont'd)

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

For the year under review, total emoluments (including any reimbursement) of HK\$40,000 (2000: HK\$40,000) were paid and/or payable to Independent Non-executive Directors of the Company.

**Five highest paid employees**

The five highest paid employees of the Group during the year included three directors, details of whose remuneration are set out in note 7 above. The remuneration of the other two employees disclosed pursuant to the Listing Rules of The Stock Exchange of Hong Kong Limited was as follows:

	<b>2001</b>	2000
	<b>HK\$</b>	HK\$
Salaries and other allowances	<b><u>2,446,896</u></b>	<u>1,264,900</u>

The remuneration of the other two employees fell within the following band:

	<b>2001</b>	2000
	<b>Number of employees</b>	Number of employees
Nil — HK\$1,000,000	<b>1</b>	2
HK\$1,000,001 to HK\$1,500,000	<b>—</b>	—
HK\$1,500,001 to HK\$2,000,000	<b>1</b>	—



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 8. TAXATION

	2001 HK\$	2000 HK\$
Company and subsidiaries		
Hong Kong Profits tax	145,927	151,186
Deferred taxation	99,733	62,213
	<u>245,660</u>	<u>213,399</u>
Share of taxation attributable to associates		
Hong Kong Profits tax	104,007	55,805
Overseas Profits tax	206,004	79,460
	<u>310,011</u>	<u>135,265</u>
	<u><u>555,671</u></u>	<u><u>348,664</u></u>

Hong Kong Profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the associates operate.

### 9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

	2001 HK\$	2000 HK\$
Dealt with in the financial statements of the Company	3,183,963	(354,070)
Retained by subsidiaries	7,604,690	14,642,995
Retained by associates	3,741,895	928,257
	<u>14,530,548</u>	<u>15,217,182</u>

### 10. DIVIDENDS

	2001 HK\$	2000 HK\$
Proposed final dividend of HK4.0 cents per share (2000: HK4.0 cents)	<u>5,270,760</u>	<u>5,270,760</u>

**II. EARNINGS PER SHARE**

The calculation of the earnings per share is based on the profit attributable to shareholders of HK\$14,530,548 (2000: HK\$15,217,182) and ordinary shares in issue of 131,769,000.

**12. INVESTMENT PROPERTIES**
**Group**

	<b>Medium term lease in Hong Kong HK\$</b>	<b>Medium term lease in the Mainland China HK\$</b>	<b>Total HK\$</b>
<b>Valuation</b>			
At 1st April, 2000	293,550,000	1,689,982	295,239,982
Deficit arising from revaluation	(21,050,000)	(652,833)	(21,702,833)
<b>Net book value as at 31st March, 2001</b>	<b><u>272,500,000</u></b>	<b><u>1,037,149</u></b>	<b><u>273,537,149</u></b>
31st March, 2000	<u>293,550,000</u>	<u>1,689,982</u>	<u>295,239,982</u>

**Company**

<b>Valuation</b>			
At 1st April, 2000	208,550,000	1,689,982	210,239,982
Deficit arising from revaluation	(18,550,000)	(652,833)	(19,202,833)
<b>Net book value as at 31st March, 2001</b>	<b><u>190,000,000</u></b>	<b><u>1,037,149</u></b>	<b><u>191,037,149</u></b>
31st March, 2000	<u>208,550,000</u>	<u>1,689,982</u>	<u>210,239,982</u>

Investment properties were revalued at their open market value at 31st March, 2001. The revaluation was carried out by K.T. Liu Surveyors Limited, an independent valuer. The deficit arising from revaluation has been charged to the investment property revaluation reserve.

Regarding the investment property in the Mainland China, the Group is entitled to the property-use right for fifty years as from 12/1/1992 to 11/1/2042, and is allowed to transfer or lease the property-use right according to the regulations of the Shenzhen Government.

**13. PROPERTY, PLANT AND EQUIPMENT**

Group

	<b>Land &amp; bulidings</b>		<b>Plant and machinery</b>	<b>Furniture, fixtures &amp; equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>Medium term lease in Hong Kong</b>	<b>Medium term lease in the Mainland China</b>				
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Cost</b>						
At 1st April, 2000	3,375,457	32,576,536	55,573,840	13,787,394	6,657,645	111,970,872
Additions	–	2,183,780	5,021,524	1,359,925	882,138	9,447,367
Disposals	–	(387,616)	–	(8,741)	(1,136,817)	(1,533,174)
Exchange realignments	–	136,574	325,850	7,072	11,928	481,424
<b>At 31st March, 2001</b>	<b>3,375,457</b>	<b>34,509,274</b>	<b>60,921,214</b>	<b>15,145,650</b>	<b>6,414,894</b>	<b>120,366,489</b>
<b>Accumulated depreciation</b>						
At 1st April, 2000	757,965	7,460,236	34,316,277	8,650,349	4,390,237	55,575,064
Charge for the year	62,887	1,215,875	1,739,123	1,242,092	554,942	4,814,919
Written back on disposals	–	(79,284)	–	(5,188)	(855,831)	(940,303)
Exchange realignments	–	31,317	145,569	3,109	6,868	186,863
<b>At 31st March, 2001</b>	<b>820,852</b>	<b>8,628,144</b>	<b>36,200,969</b>	<b>9,890,362</b>	<b>4,096,216</b>	<b>59,636,543</b>
<b>Net book value as at 31st March, 2001</b>	<b>2,554,605</b>	<b>25,881,130</b>	<b>24,720,245</b>	<b>5,255,288</b>	<b>2,318,678</b>	<b>60,729,946</b>
31st March, 2000	2,617,492	25,116,300	21,257,563	5,137,045	2,267,408	56,395,808

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

### 13. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Company	Furniture, fixtures & equipment HK\$	Motor vehicles HK\$	Total HK\$
<b>Cost</b>			
At 1st April, 2000	4,799,636	1,826,386	6,626,022
Additions	72,203	–	72,203
<b>At 31st March, 2001</b>	<b>4,871,839</b>	<b>1,826,386</b>	<b>6,698,225</b>
<b>Accumulated depreciation</b>			
At 1st April, 2000	3,209,223	1,244,888	4,454,111
Charge for the year	289,420	87,225	376,645
<b>At 31st March, 2001</b>	<b>3,498,643</b>	<b>1,332,113</b>	<b>4,830,756</b>
<b>Net book value as at 31st March, 2001</b>	<b>1,373,196</b>	<b>494,273</b>	<b>1,867,469</b>
31st March, 2000	1,590,413	581,498	2,171,911

### 14. PROPERTIES UNDER DEVELOPMENT

	Group	
	2001 HK\$	2000 HK\$
Balance at the beginning of the year	34,231,163	60,451,026
Refund of investment cost	–	(20,869,565)
Decrease in interests and transferred as loan to ex-joint venture partner at cost	–	(5,350,298)
Balance at the end of year	<b>34,231,163</b>	<b>34,231,163</b>

The Group's properties under development are situated in the Mainland China under long leases and medium term leases. The progress status is summarised on page 47.