

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

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 15 and 16 respectively.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group’s accounting policies that have affected the amounts reported for the current or prior periods.

Events after the balance sheet date

In accordance with SSAP 9 (Revised) “Events after the Balance Sheet Date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment of increasing the shareholders’ fund of the Group and the Company at 1 April 2000 and 1 April 2001 by HK\$4,622,078 and HK\$4,617,188 respectively.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 “Segment Reporting”. Segment disclosures for the year ended 31 March 2001 have been amended so that they are presented on a consistent basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

3. PRINCIPAL 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.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

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 less any identified impairment loss.

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 identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

3. PRINCIPAL 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.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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 on 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

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.

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and accumulated impairment loss.

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:

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%

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

Turnover

Turnover represents the aggregate of amounts received and receivable from property rental income and the sales of securities investment.

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 Company's right to receive payment has been established.

Operating leases

Leases of assets in respect of which substantially all the rewards and risks of ownership remain with the lessors are accounted for as operating leases. Rentals paid and payable under operating leases are charged to the income statement on a straight-line basis over such term of the relevant lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Retirement benefits scheme

The retirement benefit costs charged to the income statement represent the contributions payable in respect of the current year to the Group's Mandatory Provident Fund Scheme.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions – property leasing and securities investment. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

INCOME STATEMENT

For the year ended 31 March 2002

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
REVENUE			
Revenue from external sales	<u>32,711,907</u>	<u>10,392,544</u>	<u>43,104,451</u>
RESULT			
Segment result	<u>19,846,803</u>	<u>9,917,522</u>	29,764,325
Unallocated corporate expenses			<u>(4,207,797)</u>
Profit from operations			25,556,528
Finance costs	(5,891,867)	(1,650,472)	(7,542,339)
Share of results of associates	7,476,346	–	<u>7,476,346</u>
Profit before taxation			25,490,535
Taxation			<u>(2,371,625)</u>
Profit for the year			<u>23,118,910</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

BALANCE SHEET

At 31 March 2002

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
ASSETS			
Segment assets	660,345,755	76,562,406	736,908,161
Interests in associates	162,930,683	–	162,930,683
	<u>823,276,438</u>	<u>76,562,406</u>	<u>899,838,844</u>
LIABILITIES			
Segment liabilities	<u>137,045,079</u>	<u>53,000,000</u>	190,045,079
Tax liabilities			<u>1,544,082</u>
			<u>191,589,161</u>

OTHER INFORMATION

For the year ended 31 March 2002

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
Capital additions	168,230	–	168,230
Depreciation	999,757	–	999,757
Impairment losses recognised in the income statement	–	1,500,000	1,500,000
Other non-cash expenses	<u>96,217</u>	<u>–</u>	<u>96,217</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

INCOME STATEMENT

For the year ended 31 March 2001

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
REVENUE			
Revenue from external sales	<u>31,388,770</u>	<u>8,235,905</u>	<u>39,624,675</u>
RESULT			
Segment result	<u>16,086,824</u>	<u>2,877,596</u>	<u>18,964,420</u>
Profit from operations			18,964,420
Finance costs	(10,607,984)	(3,668)	(10,611,652)
Share of results of associates	7,045,137	–	<u>7,045,137</u>
Profit before taxation			15,397,905
Taxation			<u>(912,031)</u>
Profit for the year			<u>14,485,874</u>

BALANCE SHEET

At 31 March 2001

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
ASSETS			
Segment assets	692,986,382	21,737,676	714,724,058
Interests in associates	<u>159,068,837</u>	–	<u>159,068,837</u>
	<u>852,055,219</u>	<u>21,737,676</u>	<u>873,792,895</u>
LIABILITIES			
Segment liabilities	<u>164,300,669</u>	<u>3,000,000</u>	167,300,669
Tax liabilities			<u>346,418</u>
			<u>167,647,087</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

OTHER INFORMATION

For the year ended 31 March 2001

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
Capital additions	470,412	–	470,412
Depreciation	1,461,982	–	1,461,982
Other non-cash expenses	<u>1,106,102</u>	<u>–</u>	<u>1,106,102</u>

Geographical segments

Over 90% of the activities of the Group during the year were carried out in Hong Kong and over 90% of the assets of the Group were located in Hong Kong. Accordingly, a geographical analysis is not presented.

5. INTEREST INCOME

	2002 HK\$	2001 HK\$
Interest income from bank deposits and balances	18,475	33,752
Interest income from other investments	<u>5,263,683</u>	<u>714,929</u>
	<u>5,282,158</u>	<u>748,681</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

6. PROFIT FROM OPERATIONS

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Profit from operations has been arrived at after charging:		
Auditors' remuneration	250,000	270,000
Depreciation	999,757	1,461,982
Exchange loss	38,217	544,912
Staff costs (including Directors' remuneration)	6,332,536	9,754,606
Mandatory Provident Fund contributions	56,003	22,113
Total staff costs	<u>6,388,539</u>	<u>9,776,719</u>
and after crediting:		
Gain on disposal of other investments	169,183	297,895
Gross rental income from investment properties	32,711,907	31,388,770
Less: Outgoings	1,831,893	1,483,727
Net rental income	<u>30,880,014</u>	<u>29,905,043</u>

7. FINANCE COSTS

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Interest on bank borrowings		
Wholly repayable within five years	2,601,831	2,827,252
Not wholly repayable within five years	4,940,508	7,784,400
	<u>7,542,339</u>	<u>10,611,652</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

8. DIRECTORS' REMUNERATION

	2002	2001
	HK\$	HK\$
Directors' fees:		
Executive Directors	–	–
Non-Executive Director	50,000	–
Independent Non-Executive Directors	100,000	100,000
Other emoluments (Executive Directors):		
Salaries and other benefits	5,158,500	8,040,850
Mandatory Provident Fund contributions	12,000	8,000
	<u>5,320,500</u>	<u>8,148,850</u>

Remuneration of the Directors are within the following bands:

	Number of Directors	
	2002	2001
Nil – HK\$1,000,000	4	3
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>–</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

9. EMPLOYEES' EMOLUMENTS

Of the five highest paid employees in the Group, two (2001: three) were Directors of the Company whose emoluments were included in note 8. The emoluments of the remaining three (2001: two) individuals were as follows:

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Salaries and other benefits	654,550	476,300
Mandatory Provident Fund contributions	<u>30,253</u>	<u>7,245</u>
	<u>684,803</u>	<u>483,545</u>

The aggregate emoluments of each of the remaining three (2001: two) highest paid individuals during the years ended 31 March 2002 and 2001 were within the HK\$1,000,000 band.

During the years ended 31 March 2002 and 2001, 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.

10. TAXATION

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax		
Current year	853,915	776,115
Overprovision in prior years	<u>(233,720)</u>	<u>(583,665)</u>
	620,195	192,450
Underprovision of overseas taxation in prior years	976,930	–
Share of tax on results of associates	<u>774,500</u>	<u>719,581</u>
	<u>2,371,625</u>	<u>912,031</u>

Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profit for the year.

Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

11. DIVIDENDS

	2002	2001
	<i>HK\$</i>	HK\$
Interim, paid – HK1.0 cent per share (2001: HK1.0 cent per share)	3,078,125	3,078,125
Final, proposed – HK1.5 cents per share (2001: HK1.5 cents per share)	<u>4,617,188</u>	<u>4,617,188</u>
	<u><u>7,695,313</u></u>	<u><u>7,695,313</u></u>

The final dividend of HK1.5 cents per share has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

12. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit for the year of HK\$23,118,910 (2001: HK\$14,485,874) and on 307,812,522 (2001: weighted average number of 307,934,845) ordinary shares in issue during the year.

No diluted earnings per share has been presented as there were no dilutive potential shares in issue in either year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

13. INVESTMENT PROPERTIES

	<i>HK\$</i>
THE GROUP	
VALUATION	
At 1 April 2001	638,711,267
Exchange adjustment	(96,217)
Disposals	(1,139,202)
Deficit on revaluation	(18,244,998)
	<hr/>
At 31 March 2002	<u>619,230,850</u>

The investment properties of the Group were revalued at 31 March 2002 on an open market value existing use basis by Vigers Hong Kong Limited, Chartered Surveyors and Johnston, Ross & Cheng Ltd., independent valuers. The deficit arising on revaluation has been charged to the investment property revaluation reserve.

The carrying amount of investment properties shown above comprises:

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Properties in Hong Kong under medium-term leases	603,840,000	622,540,000
Properties outside Hong Kong		
Freehold	10,188,250	11,070,067
Medium-term lease	4,555,200	4,453,800
Long lease	647,400	647,400
	<hr/>	<hr/>
	<u>619,230,850</u>	<u>638,711,267</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 2002

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings held under medium-term lease in Hong Kong HK\$	Furniture and office equipment HK\$	Leasehold improvement HK\$	Motor vehicles HK\$	Total HK\$
THE GROUP					
COST					
At 1 April 2001	37,873,546	3,424,969	4,425,961	6,949,994	52,674,470
Additions	–	51,360	116,870	–	168,230
Disposals	(17,530,560)	(158,056)	(292,166)	(800,000)	(18,780,782)
At 31 March 2002	20,342,986	3,318,273	4,250,665	6,149,994	34,061,918
DEPRECIATION					
At 1 April 2001	3,246,445	3,052,097	2,659,185	6,749,994	15,707,721
Provided for the year	220,664	155,376	423,717	200,000	999,757
Eliminated on disposals	(1,479,178)	(156,139)	(137,668)	(800,000)	(2,572,985)
At 31 March 2002	1,987,931	3,051,334	2,945,234	6,149,994	14,134,493
NET BOOK VALUES					
At 31 March 2002	18,355,055	266,939	1,305,431	–	19,927,425
At 31 March 2001	34,627,101	372,872	1,766,776	200,000	36,966,749
					Furniture and office equipment HK\$
THE COMPANY					
COST					
At 1 April 2001 and 31 March 2002					258,636
DEPRECIATION					
At 1 April 2001 and 31 March 2002					(258,636)
NET BOOK VALUE					
At 31 March 2002 and 31 March 2001					–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

15. INTERESTS IN SUBSIDIARIES

	2002 HK\$	2001 HK\$
Unlisted shares, at cost less impairment loss	48,528,420	48,528,420
Amounts due from subsidiaries less allowance	297,399,229	311,581,008
	<u>345,927,649</u>	<u>360,109,428</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.

The carrying amounts of investment costs and amounts due from subsidiaries are reduced to their recoverable amounts which is determined by reference to the fair value of the underlying assets of the respective subsidiaries.

Details of the Company's wholly owned subsidiaries at 31 March 2002 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Principal activities
Bo Ding Holdings Ltd.	Republic of Liberia/ Hong Kong	HK\$2	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	Inactive
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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

15. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Principal activities
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
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.

16. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Unlisted shares, at cost	–	–	32	32
Share of net assets	130,483,857	119,172,011	–	–
Amount due from an associate	32,446,826	39,896,826	32,446,826	39,896,826
	<u>162,930,683</u>	<u>159,068,837</u>	<u>32,446,858</u>	<u>39,896,858</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

16. INTERESTS IN ASSOCIATES (continued)

The amount due from an associate is unsecured, interest-free and has no fixed repayment terms. In the opinion of the Directors, 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 2002 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 activities
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

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:

	2002 HK\$	2001 HK\$
Turnover	20,175,839	18,094,906
Depreciation	22,295	20,715
Profit before taxation	<u>14,952,692</u>	<u>14,090,274</u>
Profit before taxation attributable to the Group	<u>7,476,346</u>	<u>7,045,137</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

16. INTERESTS IN ASSOCIATES (continued)

Financial position at 31 March:

	2002 HK\$	2001 HK\$
Non-current assets	333,530,296	324,332,590
Current assets	741,296	1,967,442
Current liabilities	(8,410,288)	(8,162,421)
Non-current liabilities	(64,893,653)	(79,793,652)
	<u>260,967,651</u>	<u>238,343,959</u>
Shareholders' funds		
	<u>260,967,651</u>	<u>238,343,959</u>
Shareholders' funds attributable to the Group	<u>130,483,826</u>	<u>119,171,980</u>

17. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
THE GROUP						
Unlisted equity securities in Hong Kong, at cost less impairment loss recognised	–	1,500,000	–	–	–	1,500,000
Listed overseas debt securities	–	–	73,041,213	17,813,640	73,041,213	17,813,640
	<u>–</u>	<u>1,500,000</u>	<u>73,041,213</u>	<u>17,813,640</u>	<u>73,041,213</u>	<u>19,313,640</u>
Market value of listed debt securities	–	–	73,041,213	17,813,640	73,041,213	17,813,640

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

17. INVESTMENTS IN SECURITIES *(continued)*

During the year, due to changes in the economic environment, the directors considered that the investment in unlisted equity securities would not generate any future income, therefore an impairment loss of HK\$1,500,000 has been provided for.

18. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are rental receivables of HK\$574,798 (2001: HK\$280,710) with defined credit policy. The rental income is billed in advance and settlement is expected upon receipt of billings.

All the rental receivables at the balance sheet date had an aging of less than 90 days.

19. TRADE AND OTHER PAYABLES

Included in trade and other payables are rental receipts in advance of HK\$480,094 (2001: HK\$549,729).

All the rental receipts in advance at the balance sheet date had an aging of less than 90 days.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

20. SHARE CAPITAL

	Number of ordinary shares of HK\$0.5 each		Nominal value	
	2002	2001	2002 HK\$	2001 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	307,812,522	308,138,522	153,906,261	154,069,261
Shares repurchased and cancelled	<u>—</u>	<u>(326,000)</u>	<u>—</u>	<u>(163,000)</u>
At 31 March	<u>307,812,522</u>	<u>307,812,522</u>	<u>153,906,261</u>	<u>153,906,261</u>

There were no movements in the share capital for the year.

During the year ended 31 March 2001, 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

For the year ended 31 March 2002

21. RESERVES

	Share premium account <i>HK\$</i>	Investment property revaluation reserve <i>HK\$</i>	Capital redemption reserve <i>HK\$</i>	Dividend reserve <i>HK\$</i>	Accumulated profits <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP						
At 1 April 2000						
Originally stated	72,818,414	214,911,256	2,499,000	–	238,929,772	529,158,442
Prior year adjustment (Note 2)	–	–	–	4,622,078	–	4,622,078
As restated	72,818,414	214,911,256	2,499,000	4,622,078	238,929,772	533,780,520
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
Overprovision of prior years' final dividend due to repurchase of shares	–	–	–	(4,890)	4,890	–
Dividends declared	–	–	–	7,695,313	(7,695,313)	–
Dividends paid	–	–	–	(7,695,313)	–	(7,695,313)
At 31 March 2001	72,818,414	226,874,824	2,662,000	4,617,188	245,267,121	552,239,547
Share of reserve movement of an associate during the year	–	4,610,000	–	–	–	4,610,000
Deficit on revaluation	–	(18,244,998)	–	–	–	(18,244,998)
Realised on disposal of investment properties	–	315,276	–	–	–	315,276
Profit for the year	–	–	–	–	23,118,910	23,118,910
Dividends declared	–	–	–	7,695,313	(7,695,313)	–
Dividends paid	–	–	–	(7,695,313)	–	(7,695,313)
At 31 March 2002	<u>72,818,414</u>	<u>213,555,102</u>	<u>2,662,000</u>	<u>4,617,188</u>	<u>260,690,718</u>	<u>554,343,422</u>
Attributable to:						
The Company and subsidiaries	72,818,414	157,584,706	2,662,000	4,617,188	186,177,289	423,859,597
Associates	–	55,970,396	–	–	74,513,429	130,483,825
	<u>72,818,414</u>	<u>213,555,102</u>	<u>2,662,000</u>	<u>4,617,188</u>	<u>260,690,718</u>	<u>554,343,422</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

21. RESERVES (continued)

	Share premium account HK\$	Investment property revaluation reserve HK\$	Capital redemption reserve HK\$	Dividend reserve HK\$	Accumulated profits HK\$	Total HK\$
THE COMPANY						
At 1 April 2000						
Originally stated	72,818,414	–	2,499,000	–	23,018,476	98,335,890
Prior year adjustment (Note 2)	–	–	–	4,622,078	–	4,622,078
As restated	72,818,414	–	2,499,000	4,622,078	23,018,476	102,957,968
Repurchase of shares	–	–	163,000	–	(458,102)	(295,102)
Profit for the year	–	–	–	–	14,282	14,282
Overprovision of prior year's final dividend due to repurchase of shares	–	–	–	(4,890)	4,890	–
Dividends declared	–	–	–	7,695,313	(7,695,313)	–
Dividends paid	–	–	–	(7,695,313)	–	(7,695,313)
At 31 March 2001	72,818,414	–	2,662,000	4,617,188	14,884,233	94,981,835
Profit for the year	–	–	–	–	14,584,115	14,584,115
Dividends declared	–	–	–	7,695,313	(7,695,313)	–
Dividends paid	–	–	–	(7,695,313)	–	(7,695,313)
At 31 March 2002	<u>72,818,414</u>	<u>–</u>	<u>2,662,000</u>	<u>4,617,188</u>	<u>21,773,035</u>	<u>101,870,637</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\$21,773,035 (2001: HK\$14,884,233) 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 (2001: 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 2002

22. BANK LOANS

	THE GROUP	
	2002	2001
	HK\$	HK\$
The secured bank loans are repayable as follows:		
Within one year	64,211,907	17,013,240
More than one year but not exceeding two years	11,626,730	8,560,704
More than two years but not exceeding five years	37,269,879	29,377,782
More than five years	42,987,003	55,416,594
	<u>156,095,519</u>	<u>110,368,320</u>
<i>Less: Amount due within one year</i>	<u>(64,211,907)</u>	<u>(17,013,240)</u>
	<u>91,883,612</u>	<u>93,355,080</u>

23. 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 2002

24. 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	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Tax effect of timing differences because of:				
Excess of depreciation over tax allowances	117,913	96,365	719	1,389
Tax losses	1,583,992	1,529,660	259,759	125,638
	<u>1,701,905</u>	<u>1,626,025</u>	<u>260,478</u>	<u>127,027</u>

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

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Tax effect of timing differences because of:				
Difference between depreciation over tax allowances	21,548	(37,355)	(670)	286
Tax losses arising (utilised)	54,332	(213,263)	134,121	(74,353)
	<u>75,880</u>	<u>(250,618)</u>	<u>133,451</u>	<u>(74,067)</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 2002

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

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Profit before taxation	25,490,535	15,397,905
Share of results of associates	(7,476,346)	(7,045,137)
Interest income	(5,282,158)	(748,681)
Interest expenses	7,542,339	10,611,652
Loss on disposal of investment properties	207,338	–
Loss on disposal of property, plant and equipment	4,207,797	–
Impairment loss recognised in respect of investment securities	1,500,000	–
Depreciation	999,757	1,461,982
Unrealised holding gain on other investments	(5,984,656)	(1,864,772)
Written off of club debenture	–	21,000
Exchange adjustment on investment properties	96,217	1,106,102
(Increase) decrease in trade and other receivables	(1,415,029)	707,460
Increase in trade and other payables	101,202	60,945
Increase (decrease) in rental deposits from tenants	66,170	(420,312)
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>20,053,166</u>	<u>19,288,144</u>

26. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank loans <i>HK\$</i>
At 1 April 2000	112,595,779
New bank loans raised	44,400,000
Repayment of bank loans	<hr/> (46,627,459)
	<hr/>
At 31 March 2001	110,368,320
New bank loans raised	187,916,824
Repayment of bank loans	<hr/> (142,189,625)
	<hr/>
At 31 March 2002	<u>156,095,519</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

27. PENSION SCHEME

The Group operates Mandatory Provident Fund scheme (the “MPF”) for all existing staff members of the Group.

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 2002 amounted to HK\$56,003 (2001: HK\$22,113).

28. PLEDGE OF ASSETS

At the balance sheet date, the Group’s banking facilities totalling HK\$235,948,000 (2001: HK\$175,249,385) were secured by its land and buildings and investment properties with an aggregate carrying value amounting to HK\$540,343,305 (2001: HK\$433,186,953). These facilities were utilised to the extent of HK\$172,507,612 (2001: HK\$149,930,574) as at the balance sheet date.

29. 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	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Subsidiaries	<u>–</u>	<u>–</u>	<u>144,427,564</u>	<u>129,951,800</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

30. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2002	2001
	HK\$	HK\$
Minimum lease payments paid under operating leases in respect of rented properties during the year	<u>576,000</u>	<u>564,880</u>

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2002	2001
	HK\$	HK\$
Within one year	48,000	–
In the second to fifth year inclusive	<u>–</u>	<u>624,000</u>
	<u>48,000</u>	<u>624,000</u>

Operating lease payments represent rentals payable by the Group for the quarters of a director. Leases are negotiated and rentals are fixed for an average term of 2 years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

30. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessor

The investment properties of the Group are expected to generate rental yields of approximately 5% (2001: 5%) on an ongoing basis. All of the properties held have committed tenants not exceeding three years.

At the balance sheet date, the Company had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2002	2001
	HK\$	HK\$
Within one year	14,310,049	28,041,747
In the second to fifth year inclusive	3,582,389	7,953,608
	<u>17,892,438</u>	<u>35,995,355</u>

31. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, one of the wholly owned subsidiaries of the Company entered into an agreement with a third party regarding the disposal of an investment property, at a consideration of CAD235,000 equivalent to approximately HK\$1,154,000, resulting in a gain on disposal of approximately HK\$98,000.