

Notes to the Accounts

1. Principal accounting policies

The principal accounting policies adopted in the preparation of the accounts are set out below.

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with the Statements of Standard Accounting Practice (“SSAP”) issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of investment properties, property held for development and other investments.

In the current year, the Group adopted the following SSAPs which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

The accounting policies below have adopted these new/revised standards, and their adoption has no material effect on the Group’s accounts.

(b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

The consolidated accounts also include the Group’s share of post-acquisition profits less losses, and reserves, of its associated companies. The results of subsidiaries and associated companies acquired and disposed of during the year are included in the consolidated profit and loss account from or up to their effective dates of acquisition or disposal respectively.

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

The gain or loss on the disposal of a subsidiary or an associated company represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any goodwill or negative goodwill which was not previously charged or recognised in the consolidated profit and loss account and also any related accumulated exchange fluctuation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company’s balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group’s share of the results of associated companies, and the consolidated balance sheet includes the Group’s share of the net assets of the associated companies.

(d) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm’s length.

Investment properties held on leases with unexpired periods of greater than 20 years are stated at valuations undertaken annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

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 properties revaluation reserve to the profit and loss account.

(e) Properties held for development

Properties held for development are investments in land and buildings under or pending construction. The investments are

Notes to the Accounts

carried at valuation of the land and development and construction expenditure incurred and interest and other direct costs attributable to the development. Properties held for development are not depreciated. On completion, the properties are transferred to investment properties or properties for sale according to the intended use of the properties at that time.

(f) Leasehold land and buildings and other fixed assets

Leasehold land and buildings are stated at valuation, less accumulated depreciation.

Leasehold land is amortised over the remaining period of the relevant lease. Buildings are depreciated at the annual rate of 4%.

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, and are depreciated at annual rates of 10% to 20% to write off their costs over their remaining estimated useful lives on a straight line basis.

Repair and maintenance costs are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that these fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

The gains or losses on disposal of leasehold land and buildings and other fixed assets are determined as the difference between the net sales proceeds and the carrying amount of the relevant assets, and are recognised as income or expense in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant assets is transferred to retained earnings and is shown as a movement in reserves.

(g) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable on or receivable from such leases are charged or credited to the profit and loss account on a straight line basis over the lease term.

(h) Other investments

Other investments are held for the long term and are stated at valuation. Increases in valuation are credited to the investment revaluation reserve; decreases are first set off against increases on earlier valuations and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant investment, together with the relevant portion of the investment revaluation reserve realised, is dealt with in the profit and loss account.

(i) Properties for sale

Completed properties for sale remaining unsold at year end are stated at the lower of cost and net realisable value.

Cost is determined by apportionment of the total land and development costs attributable to the unsold properties. Land cost is stated at cost or valuation carried out upon completion of the development. Any previous revaluation reserve will be frozen until the disposal of the property whereupon the frozen revaluation reserve will be transferred directly to retained earnings.

Net realisable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses after the balance sheet date, or by management estimates based on prevailing market conditions.

(j) Debtors

Provision is made against debtors to the extent they are considered to be doubtful. Debtors are stated in the balance sheet net of such provision.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and bank overdrafts and loans repayable within 3 months from date of advance.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(m) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(n) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or receivable in the foreseeable future.

(o) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of all overseas subsidiaries and associated companies are translated at the rates of exchange ruling at the balance sheet date and the resulting exchange differences are dealt with as a movement in reserves.

(p) Revenue recognition

Revenue from the sale of properties is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Operating lease rental income is recognised on a straight-line basis.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Storage income and other income are recognised on an accruals basis.

(q) Retirement benefit costs

The Group's contributions to the defined contribution retirement scheme are expensed as incurred. The assets of the scheme are held separately from those of the Group in independently administered funds.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

The capitalisation rate of the borrowing costs eligible for capitalisation is the interest rate applicable to the loan borrowed for that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(s) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, other investments, properties for sale, debtors and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

Notes to the Accounts

2. Turnover, revenue and segment information

The Group is principally engaged in property investment and development and management, warehousing and investment holding.

Revenues recognised during the year are as follows:

	2002	2001
	HK\$'000	HK\$'000
Turnover		
Sale of properties for sale	—	162,478
Rental and property management	186,385	195,007
Warehousing	24,198	27,852
	<u>210,583</u>	<u>385,337</u>
Other revenues		
Dividend income from other investments	24,078	11,943
Recovery of debts under liquidation	11,774	—
Interest income	325	601
Gain on disposal of investment properties	9,261	42,593
Others	3,717	2,425
	<u>49,155</u>	<u>57,562</u>
	<u>259,738</u>	<u>442,899</u>

2. Turnover, revenue and segment information (continued)

An analysis of turnover and profit by business and geographical segments is as follows:

Business segments

	Year ended 31 March 2002					Group HK\$'000
	Sale of properties HK\$'000	Rental and property management HK\$'000	Warehousing HK\$'000	Investment HK\$'000	Elimination HK\$'000	
Turnover						
External	—	186,385	24,198	—	—	210,583
Inter-segment	—	1,186	—	—	(1,186)	—
	<u>—</u>	<u>187,571</u>	<u>24,198</u>	<u>—</u>	<u>(1,186)</u>	<u>210,583</u>
Segment results	<u>(2,210)</u>	<u>121,848</u>	<u>(1,732)</u>	<u>31,893</u>	<u>—</u>	149,799
Unallocated income less expenses						(24,380)
Gain on disposal of investment properties						9,261
Loss on disposal of associated companies						(659)
Operating profit before interest						134,021
Interest income less finance costs						(33,417)
Operating profit						100,604
Share of profits less losses of associated companies		8,135	(1,199)	(4,452)		2,484
Profit before taxation						103,088
Taxation						125
Profit after taxation						103,213
Minority interests						(11,491)
Profit attributable to shareholders						<u>91,722</u>
Segment assets	142,964	2,351,868	83,071	488,116		3,066,019
Investment in associated companies	—	4,623	—	15,099		19,722
Unallocated assets						14,271
Total assets						<u>3,100,012</u>
Segment liabilities	—	228,622	27,698	242		256,562
Unallocated liabilities						760,947
Total liabilities						<u>1,017,509</u>
Capital expenditure	—	4,598	1,020	—		5,618
Depreciation	—	2,588	2,414	—		5,002

WINSOR PROPERTIES HOLDINGS LIMITED*(Incorporated under the laws of the Cayman Islands with limited liability)***Notes to the Accounts****2. Turnover, revenue and segment information (continued)**

	Year ended 31 March 2001					Group HK\$'000
	Sale of properties HK\$'000	Rental and property management HK\$'000	Warehousing HK\$'000	Investment HK\$'000	Elimination HK\$'000	
Turnover						
External	162,478	195,007	27,852	—	—	385,337
Inter-segment	—	2,549	—	—	(2,549)	—
	<u>162,478</u>	<u>197,556</u>	<u>27,852</u>	<u>—</u>	<u>(2,549)</u>	<u>385,337</u>
Segment results	<u>(11,536)</u>	<u>133,658</u>	<u>926</u>	<u>11,901</u>	<u>—</u>	134,949
Unallocated income less expenses						(19,815)
Gain on disposal of investment properties						42,593
Operating profit before interest						157,727
Interest income less finance costs						(74,582)
Operating profit						83,145
Share of profits less losses of associated companies		(144)	(2,459)	(19,997)		(22,600)
Profit before taxation						60,545
Taxation						(3,457)
Profit after taxation						57,088
Minority interests						(5,033)
Profit attributable to shareholders						<u>52,055</u>
Segment assets	145,174	2,620,926	42,329	526,735		3,335,164
Investment in associated companies	—	11,522	25,487	63,813		100,822
Unallocated assets						6,573
Total assets						<u>3,442,559</u>
Segment liabilities	—	292,911	28,020	481		321,412
Unallocated liabilities						852,889
Total liabilities						<u>1,174,301</u>
Capital expenditure	—	699	72	—		771
Depreciation	—	2,571	1,316	—		3,887

2. Turnover, revenue and segment information (continued)

Geographical segments

	Year ended 31 March 2002			
	Turnover HK\$'000	Segment result HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	202,181	129,994	2,419,175	4,932
Singapore	3,622	26,463	550,895	162
Mainland China	4,780	(5,146)	95,866	524
USA	—	(1,512)	83	—
	210,583	149,799	3,066,019	5,618
Unallocated income less expenses		(24,380)		
Gain on disposal of investment properties		9,261		
Loss on disposal of associated companies		(659)		
Operating profit before interest		134,021		
Interest income less finance costs		(33,417)		
Operating profit		100,604		
Investments in associated companies			19,722	
Unallocated assets			14,271	
Total assets			3,100,012	

	Year ended 31 March 2001			
	Turnover HK\$'000	Segment result HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	380,554	119,628	2,679,459	709
Singapore	3,645	16,274	610,610	—
Mainland China	1,138	(953)	45,095	62
	385,337	134,949	3,335,164	771
Unallocated income less expenses		(19,815)		
Gain on disposal of investment properties		42,593		
Operating profit before interest		157,727		
Interest income less finance costs		(74,582)		
Operating profit		83,145		
Investments in associated companies			100,822	
Unallocated assets			6,573	
Total assets			3,442,559	

WINSOR PROPERTIES HOLDINGS LIMITED*(Incorporated under the laws of the Cayman Islands with limited liability)***Notes to the Accounts****3. Operating profit**

Operating profit is stated after crediting and charging the following:

	2002 HK\$'000	2001 HK\$'000
Crediting:		
Gain on disposal of investment properties	9,261	42,593
Gross rental income from investment properties	176,181	181,919
Gross rental income from property held for development	9,456	10,205
Interest income	325	601
Dividend income from other investments	24,078	11,943
Recovery of debts under liquidation	11,774	—
Exchange gain	192	1,226
Charging:		
Depreciation of fixed assets	5,002	3,887
Staff costs excluding retirement benefit costs	28,481	28,711
Cost of properties for sale sold	—	171,709
Outgoings in respect of investment properties	56,224	57,443
Outgoings in respect of property held for development	6,650	6,188
Operating leases – land and buildings	7,358	8,845
Loss on disposal of other fixed assets	6	—
Loss on disposal of associated companies	659	—
Provision for other investments	3,942	—
Retirement benefit costs (<i>Note 6</i>)	778	235
Retirement gratuities paid	7,500	—
Auditors' remuneration	660	660

4. Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments paid by the Group to Directors of the Company during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Fees	446	400
Other emoluments:		
Salaries	5,647	5,855
Bonuses	2,660	4,159
Retirement gratuities	7,500	—
Contribution to provident fund	53	37
	<u>16,306</u>	<u>10,451</u>

Directors' fees disclosed above include HK\$238,000 (2001: HK\$160,000) paid to Independent Non-Executive Directors of the Company.

The emoluments of the Directors of the Company fell within the following bands:

Emolument bands	Number of Directors	
	2002	2001
Nil – HK\$1,000,000	11	8
HK\$1,000,001 – HK\$1,500,000	1	2
HK\$1,500,001 – HK\$2,000,000	2	3
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$2,500,001 – HK\$3,000,000	2	—
HK\$3,000,001 – HK\$4,000,000	<u>17</u>	<u>14</u>

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for both years were also Directors of the Company and their emoluments are reflected in the analysis presented above.

5. Finance costs

	2002 HK\$'000	2001 HK\$'000
Interest expense		
Bank loans and overdrafts	33,742	75,129
Other loans repayable within five years	—	54
Total borrowing costs	<u>33,742</u>	<u>75,183</u>

Notes to the Accounts

6. Retirement benefit costs

The Group contributes to a defined contribution mandatory provident fund scheme for those employees in Hong Kong under the age of 65. A subsidiary operates in a country which has central government administrated retirement scheme. Contributions are made by the Group as a percentage of employees' relevant salaries, according to the statutory requirements. The retirement benefit costs charged to the profit and loss account represent contributions payable by the Group in respect of the above retirement schemes and are set out in Note 3.

Contributions totalling HK\$51,000 (2001: HK\$50,000) were payable to the schemes at the end of the year and are included in creditors and accruals.

7. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits for the year. Overseas taxation has been provided on the estimated assessable profits at rates prevailing in the countries in which the subsidiaries and associated companies operate.

	2002 HK\$'000	2001 HK\$'000
The Company and its subsidiaries:		
Hong Kong profits tax	(2,402)	2,507
Overseas taxation	353	423
Deferred taxation (Note 26)	<u>541</u>	<u>520</u>
	<u>(1,508)</u>	<u>3,450</u>
Associated companies:		
Hong Kong profits tax	1	4
Overseas taxation	<u>1,382</u>	<u>3</u>
	<u>1,383</u>	<u>7</u>
	<u>(125)</u>	<u>3,457</u>
Deferred tax credit for the year has not been accounted for in respect of:		
Tax losses	<u>506</u>	<u>5,050</u>

8. Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$58,607,000 (2001: HK\$5,309,000).

9. Dividends

	2002 HK\$'000	2001 HK\$'000
Interim dividend, paid, of HK\$0.05 per share (2001: Nil)	12,984	—
Final dividend, proposed, of HK\$0.05 per share (2001: Nil)	<u>12,984</u>	<u>—</u>
	<u>25,968</u>	<u>—</u>

At a meeting held on 11 July 2002 the Directors recommended a final dividend of HK\$0.05 per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2003.

10. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of HK\$91,722,000 (2001: HK\$52,055,000) and 259,685,288 (2001: 259,685,288) shares in issue during the year.

Diluted earnings per share is not presented as the Company has no dilutive potential shares as at 31 March 2002 (2001: Nil).

11. Related party and connected transactions

- (a) The following is a summary of significant related party transactions which, in the opinion of the Directors, were carried out in the normal course of the Group's business on terms no more favourable than terms available to independent third parties:

	2002 HK\$'000	2001 HK\$'000
Sale of properties to the Winsor Industrial Corporation, Limited ("WICL") Group	—	35,626
Purchase of properties from WICL Group for resale	—	75,000
Compensation paid to WICL Group for vacating properties for resale	—	13,000
Rental and storage income received from the WICL Group	4,772	5,232
Rental expenses paid to the WICL Group	1,698	1,623
Reimbursement of administrative expenses to the WICL Group	<u>4,226</u>	<u>14,176</u>

The Group and the WICL Group are considered to be related by virtue of the fact that certain Directors of the Company are also directors of WICL.

- (b) The following transactions constituted Connected Transactions as defined under Chapter 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") by reason that Chericourt Company Limited ("Chericourt") is a non-wholly owned subsidiary of the Company:

On 14 December 2001 the Group acquired an additional 5% interest in Chericourt and a shareholder's loan of HK\$39,020,000 owing by Chericourt to the vendor. Chericourt thereby became an 80% owned subsidiary of the Company. As at 31 March 2002, shareholders' loans granted by the Company's wholly owned subsidiaries to Chericourt, including the loan of HK\$39,020,000 acquired in December 2001, amounted to HK\$624,320,000 (2001: HK\$585,300,000). The shareholders' loans are for financing the development costs of the Regent Centre at 63-73 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong in proportion to the Group's shareholdings in Chericourt. The shareholders' loans are unsecured, interest free and have no fixed terms of repayment.

During the year other loans totalling HK\$58,509,000 were repaid by Chericourt to certain wholly owned subsidiaries of the Group (2001: HK\$61,165,000). Thereafter, other loans were advanced by Chericourt to wholly owned subsidiaries of the Group. As at 31 March 2002, loans advanced by Chericourt to wholly owned subsidiaries of the Group amounted to HK\$189,592,000 (2001: Nil). These other loans between Chericourt and wholly owned subsidiaries of the Group are unsecured, have no fixed terms of repayment and carry interests ranging at Hong Kong Inter-bank Offer Rate ("HIBOR") to HIBOR plus 1.875% per annum.

On 27 January 2000 the Company issued a guarantee to a bank to secure a term loan facility of HK\$110,000,000 granted to Chericourt. The term loan is repayable by progressive quarterly instalments within seven years, and its outstanding balance at 31 March 2002 was HK\$88,048,000 (2001: HK\$96,048,000). Each of the minority shareholders of Chericourt has provided a deed of indemnity to indemnify the Company against the guaranteed liability of Chericourt to the extent of its percentage shareholding in Chericourt.

On 30 November 2001 the Company issued a guarantee to a bank to secure a term loan facility of HK\$150,000,000 and a revolving loan facility of HK\$80,000,000 granted to Chericourt. The term loan is repayable by progressive quarterly instalments within five years, and its outstanding balance at 31 March 2002 was HK\$150,000,000 (2001: Nil).

On 13 December 2001 the Company issued a guarantee to a bank to secure a term loan facility of HK\$25,000,000 granted to Chericourt. The term loan is repayable by 8 progressive semi-annual instalments commencing in June 2003, and its outstanding balance at 31 March 2002 was HK\$25,000,000 (2001: Nil).

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12. Fixed assets

	Group				
	Investment properties	Leasehold land and buildings	Property held for development	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At cost or valuation					
At 1 April 2001	2,277,943	37,874	296,000	17,710	2,629,527
Translation differences	(1,725)	43	—	2	(1,680)
Acquisition of subsidiaries	—	43,049	—	24,954	68,003
Additions	—	429	4,179	1,010	5,618
Increase/(decrease) in revaluation	(383,954)	—	152,821	—	(231,133)
Disposals	(41,780)	—	—	(439)	(42,219)
At 31 March 2002	<u>1,850,484</u>	<u>81,395</u>	<u>453,000</u>	<u>43,237</u>	<u>2,428,116</u>
Accumulated depreciation					
At 1 April 2001	—	5,059	—	12,271	17,330
Translation differences	—	—	—	—	—
Acquisition of subsidiaries	—	9,990	—	19,573	29,563
Charge for the year	—	1,485	—	3,517	5,002
Disposals	—	—	—	(350)	(350)
At 31 March 2002	<u>—</u>	<u>16,534</u>	<u>—</u>	<u>35,011</u>	<u>51,545</u>
Net book value					
At 31 March 2002	<u>1,850,484</u>	<u>64,861</u>	<u>453,000</u>	<u>8,226</u>	<u>2,376,571</u>
At 31 March 2001	<u>2,277,943</u>	<u>32,815</u>	<u>296,000</u>	<u>5,439</u>	<u>2,612,197</u>
Analysis of cost or valuation:					
At valuation	1,850,484	81,395	453,000	—	2,384,879
At cost	—	—	—	43,237	43,237
	<u>1,850,484</u>	<u>81,395</u>	<u>453,000</u>	<u>43,237</u>	<u>2,428,116</u>

Net book value of investment properties, property held for development and leasehold land and buildings are analysed as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Held in Hong Kong:		
On medium-term leases	2,224,196	2,481,906
Held outside Hong Kong:		
On long-term leases	79,288	92,037
On medium-term leases	32,251	32,815
On short-term renewable leases	32,610	—
	<u>2,368,345</u>	<u>2,606,758</u>

Investment properties (other than agricultural lots) and property held for development held in Hong Kong were revalued at 31 March 2002 by Jones Lang LaSalle Limited. The agricultural lots held in Hong Kong were revalued at 31 March 2002 by B. I. Appraisals Limited. Investment properties held in Singapore were revalued at 31 March 2002 by Colliers International Consultancy & Valuation (Singapore) Pte. Ltd. All three valuers are independent. All valuations were carried out on the open market value basis.

Leasehold land and buildings held outside Hong Kong on medium-term leases are held in Mainland China and are stated at valuation at 30 June 1996 on the open market value basis by Jones Lang Wootton Ltd., independent valuers, plus cost of additions subsequent to that date. In the Directors' opinion the net book values of these properties approximate their respective market values at 31 March 2002. The aggregate net book value of these properties at 31 March 2002 was HK\$32,251,000 (2001: HK\$32,815,000) but would have been HK\$34,550,000 (2001: HK\$35,234,000) had they been stated at cost less accumulated depreciation.

Leasehold land and buildings held outside Hong Kong on short-term renewable leases are held in Mainland China by a subsidiary acquired during the year and are stated at valuation carried out by the Directors at the time of acquisition.

Certain investment properties with a total net book value of HK\$1,613,483,000 as at 31 March 2002 (2001: HK\$2,069,300,000 including property held for development) have been mortgaged to secure the Group's banking facilities.

13. Subsidiaries

	Company	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares – at cost	1	1
Loans and amounts due from subsidiaries	3,322,968	3,297,854
Less: Provision	<u>(725,864)</u>	<u>(871,023)</u>
	<u>2,597,105</u>	<u>2,426,832</u>

A legal charge over the Group's shareholding in Winsor Air Cargo Centre Limited has been executed in favour of a bank to secure a loan facility of HK\$131,082,000 (2001: HK\$164,500,000) granted to Winsor Air Cargo Centre Limited.

The loans and amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Particulars of the subsidiaries are set out on pages 40 to 41.

14. Associated companies

	Group	
	2002	2001
	HK\$'000	HK\$'000
Group's share of net assets	3,079	18,194
Amounts due from associated companies	<u>16,643</u>	<u>82,628</u>
	<u>19,722</u>	<u>100,822</u>
Investments at cost – unlisted shares	<u>10,218</u>	<u>20,854</u>

The amounts due from associated companies are unsecured, interest free and have no fixed terms of repayment.

Particulars of the associated companies are set out on page 41.

15. Other investments

	Group	
	2002	2001
	HK\$'000	HK\$'000
Unlisted investments, at valuation	472,230	525,526
Loans due from unlisted investments	<u>4,062</u>	<u>1,046</u>
	<u>476,292</u>	<u>526,572</u>

Unlisted investments include investments in 5.14% (2001: 5.14%) and 10.06% (2001: 10.06%) respectively of the ordinary share capitals of Suntec City Development Pte. Ltd. and Suntec Investments Pte. Ltd., both incorporated in Singapore ("the Suntec Interests").

As at 31 March 2002, the Suntec Interests were revalued by the Directors on a business valuation basis with reference to the property market in Singapore at HK\$470,662,000 (2001: HK\$517,921,000). The valuation deficit has been debited to the investment revaluation reserve account (Note 22). The carrying amount of the Group's investment in Suntec City Development Pte. Ltd. exceeded 10% of the total assets of the Group.

The loans due from unlisted investments are unsecured, interest free and have no fixed terms of repayment.

Notes to the Accounts

16. Other receivables

	Group	
	2002	2001
	HK\$'000	HK\$'000
Loans due from third parties	178,085	189,859
Provision	<u>(178,085)</u>	<u>(189,859)</u>
	<u>—</u>	<u>—</u>

The loans were advanced by the Group to two construction companies (“the Borrowers”), which are independent third parties, pursuant to a loan agreement dated 27 March 1998. On 27 November 1998 the Borrowers commenced voluntary liquidation and the Group made full provision against the loans. During the year, a dividend of HK\$11,774,000 (2001: Nil) was received from the liquidators of the Borrowers and recognised as other revenue in the Group’s profit and loss account.

17. Properties for sale

Properties for sale have been mortgaged to secure the Group’s banking facilities.

18. Debtors and receivables

Included in debtors and receivables are trade debtors which represent mainly rents receivable from tenants of the Group’s properties. The Group maintains a defined policy in respect of rent collection. Reminders are issued half-monthly when rents are overdue for 15 days, and legal actions will be taken when rents are overdue for two months. The ageing analysis of trade debtors is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Current – 45 days	6,752	7,329
46 – 90 days	4,450	4,839
Over 90 days	<u>2,466</u>	<u>5,669</u>
	<u>13,668</u>	<u>17,837</u>

19. Creditors and accruals

- Included in creditors and accruals is an amount of HK\$633,000 (2001: HK\$3,574,000) being shared administrative expenses payable to the WICL Group.
- Also included in creditors and accruals are trade creditors the ageing analysis of which is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Current – 45 days	2,587	2,643
46 – 90 days	676	908
Over 90 days	<u>257</u>	<u>57</u>
	<u>3,520</u>	<u>3,608</u>

20. Bank loans and overdrafts

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Repayable on demand or within one year:				
Secured	186,743	142,000	—	—
Unsecured	<u>30,000</u>	<u>20,379</u>	—	20,000
	216,743	162,379	—	20,000
Current portion of long term bank loans (<i>Note 24</i>)	<u>69,484</u>	<u>102,669</u>	—	—
	<u>286,227</u>	<u>265,048</u>	—	20,000

Short term bank loans included an amount of HK\$8,480,000 (*2001: Nil*) denominated in Singapore dollar. Certain investment properties and properties for sale with a total net book value of HK\$1,756,447,000 at 31 March 2002 (*2001: HK\$2,214,474,000 including property held for development*) have been mortgaged to secure the Group's short term and long term bank loans.

21. Share capital

	Ordinary shares of HK\$0.01 each	
	No. of shares	HK\$'000
Authorised:		
At 31 March 2001 and 2002	<u>750,000,000</u>	<u>7,500</u>
Issued and fully paid:		
At 31 March 2001 and 2002	<u>259,685,288</u>	<u>2,596</u>

Notes to the Accounts

22. Reserves

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Contributed surplus				
At 1 April of the previous year	857,373	857,373	2,396,928	2,358,263
Write back of provision for diminution in value of investment in subsidiaries	—	—	145,159	38,665
At 31 March	<u>857,373</u>	<u>857,373</u>	<u>2,542,087</u>	<u>2,396,928</u>
Land and buildings revaluation reserve				
At 1 April of the previous year	44,656	67,300	—	—
Transfer to retained profits on disposal of properties for sale	—	(22,182)	—	—
Arising from revaluation – Subsidiaries	152,821	(462)	—	—
At 31 March	<u>197,477</u>	<u>44,656</u>	<u>—</u>	<u>—</u>
Investment properties revaluation reserve				
At 1 April of the previous year	973,869	1,051,859	—	—
Amount realised on disposal of investment properties				
– Subsidiaries	(16,495)	(76,644)	—	—
– Associated companies	(5,253)	—	—	—
Arising from revaluation				
– Subsidiaries	(341,572)	2,668	—	—
– Associated companies	—	(4,014)	—	—
At 31 March	<u>610,549</u>	<u>973,869</u>	<u>—</u>	<u>—</u>
Investment revaluation reserve				
At 1 April of the previous year	423,302	435,042	—	—
Amount realised on disposal of investments				
– Associated companies	(5,763)	—	—	—
Arising from revaluation				
– Subsidiaries	(47,259)	(11,740)	—	—
At 31 March	<u>370,280</u>	<u>423,302</u>	<u>—</u>	<u>—</u>
Exchange fluctuation account				
At 1 April of the previous year	(12,126)	(9,999)	—	—
Exchange loss realised on disposal of an associated company	15	—	—	—
Net movement for the year	(987)	(2,127)	—	—
At 31 March	<u>(13,098)</u>	<u>(12,126)</u>	<u>—</u>	<u>—</u>
Total reserves	<u>2,022,581</u>	<u>2,287,074</u>	<u>2,542,087</u>	<u>2,396,928</u>

The Group's share of the undistributed post-acquisition reserves of associated companies comprises:

	Group	
	2002 HK\$'000	2001 HK\$'000
Investment properties revaluation reserve	422	5,675
Investment revaluation reserve	—	5,763
Exchange fluctuation account	10	(5,732)
	<u>432</u>	<u>5,706</u>

23. Retained earnings/(accumulated loss)

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
At 1 April of the previous year	(21,412)	(95,649)	6,982	1,673
Profit for the year	91,722	52,055	58,607	5,309
Transfer from land and buildings revaluation reserve	—	22,182	—	—
Interim dividend paid (<i>Note 9</i>)	(12,984)	—	(12,984)	—
At 31 March	<u>57,326</u>	<u>(21,412)</u>	<u>52,605</u>	<u>6,982</u>
Represented by:				
Retained earnings/(accumulated loss)	44,342	(21,412)	39,621	6,982
Final dividend proposed	12,984	—	12,984	—
	<u>57,326</u>	<u>(21,412)</u>	<u>52,605</u>	<u>6,982</u>
Company and subsidiaries	61,204	(13,046)	52,605	6,982
Associated companies	(3,878)	(8,366)	—	—
	<u>57,326</u>	<u>(21,412)</u>	<u>52,605</u>	<u>6,982</u>
Profit for the year retained by:				
Company and subsidiaries	65,721	74,662	32,639	5,309
Associated companies	33	(22,607)	—	—
	<u>65,754</u>	<u>52,055</u>	<u>32,639</u>	<u>5,309</u>

24. Long term bank loans

	Group	
	2002 HK\$'000	2001 HK\$'000
Secured		
– wholly repayable within five years	542,408	590,314
– not wholly repayable within five years	—	96,048
	<u>542,408</u>	<u>686,362</u>
Less: Amount repayable within one year included under current liabilities (<i>Note 20</i>)	(69,484)	(102,669)
	<u>472,924</u>	<u>583,693</u>
The bank loans are repayable as follows:		
Within one year	69,484	102,669
In the second year	98,484	472,657
In the third to fifth years inclusive	374,440	94,988
After the fifth year	—	16,048
	<u>542,408</u>	<u>686,362</u>

The bank loans included an amount of HK\$34,277,000 (2001: HK\$21,605,000) denominated in Singapore dollar. Certain investment properties and properties for sale with a total net book value of HK\$1,756,447,000 at 31 March 2002 (2001: HK\$2,214,474,000 including property held for development) have been mortgaged to secure the Group's short term and long term bank loans.

Notes to the Accounts

25. Other long term loans

	Group	
	2002	2001
	HK\$'000	HK\$'000
Amounts due to minority shareholders of subsidiaries	<u>159,221</u>	<u>195,100</u>

The loans, which are in proportion to the equity interests of the minority shareholders in subsidiaries, are unsecured, interest free and have no fixed terms of repayment.

26. Deferred taxation

	Group	
	2002	2001
	HK\$'000	HK\$'000
At 1 April of the previous year	6,827	6,307
Transfer from profit and loss account (<i>Note 7</i>)	<u>541</u>	<u>520</u>
At 31 March	<u>7,368</u>	<u>6,827</u>
Arising from:		
Accelerated depreciation allowances	<u>7,368</u>	<u>6,827</u>
The potential deferred tax asset which has not been accounted for amounts to:		
Unrelieved tax losses	<u>14,768</u>	<u>14,262</u>

Deferred taxation has not been provided on revalued assets because the revaluation does not constitute a timing difference.

27. Future lease receipts

	Group	
	2002	2001
	HK\$'000	HK\$'000
At the end of the year, future minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:		
Not later than one year	110,944	128,616
Later than one year and not later than five years	<u>52,992</u>	<u>53,872</u>
	<u>163,936</u>	<u>182,488</u>

28. Capital commitments

	Group	
	2002	2001
	HK\$'000	HK\$'000
Contracted but not provided for	521	306
Authorised but not contracted for	—	—
	<u>521</u>	<u>306</u>

29. Lease commitments

	Group	
	2002	2001
	HK\$'000	HK\$'000
At the end of the year the Group had future aggregate minimum lease payments under non-cancellable operating leases for land and buildings as follows:		
Not later than one year	7,271	7,283
Later than one year and not later than five years	5,980	11,500
	<u>13,251</u>	<u>18,783</u>

30. Contingent liabilities

	Company	
	2002	2001
	HK\$'000	HK\$'000
Guarantees given in respect of banking facilities granted to subsidiaries	<u>1,103,157</u>	<u>1,493,314</u>

31. Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2002	2001
	HK\$'000	HK\$'000
Operating profit	100,604	83,145
Interest income	(325)	(601)
Interest expenses	33,742	75,183
Dividend income	(24,078)	(11,943)
Depreciation charges	5,002	3,887
Profit on disposal of fixed assets	(9,255)	(42,406)
Loss on disposal of associated companies	659	—
Provision for other investments	3,942	—
Recovery of debts under liquidation	(11,774)	—
Decrease in properties for sale	2,210	83,709
(Increase)/decrease in debtors and receivables	(10,612)	5,638
Decrease in creditors and accruals	(959)	(1,511)
Exchange translation differences	13	294
Net cash inflow from operating activities	<u>89,169</u>	<u>195,395</u>

Notes to the Accounts

31. Notes to the consolidated cash flow statement (continued)

(b) Purchase of subsidiaries and minority interests in subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets acquired		
Fixed assets	38,440	—
Other investments	7,993	—
Debtors and receivables	3,941	—
Cash and bank balances	1,859	—
Creditors and accruals	(751)	—
Tax payable	(148)	—
Minority interests	(13,307)	—
Loans from minority shareholders of subsidiaries	35,879	—
	<u>73,906</u>	<u>—</u>
Satisfied by		
Cash	25,000	—
Transfer from investments in associated companies	24,048	—
Swap of investments in associated companies	24,858	—
	<u>73,906</u>	<u>—</u>
Net outflow of cash		
Cash consideration	25,000	—
Cash and bank balances of the acquired subsidiaries	(1,859)	—
	<u>23,141</u>	<u>—</u>

(c) Analysis of changes in financing during the year

	Minority interests		Bank and other loans	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
At 1 April of the previous year	13,904	3,625	1,043,462	1,327,787
Exchange differences	25	—	(710)	(1,740)
Purchase of subsidiaries and minority interests in subsidiaries	13,307	—	(35,879)	—
Minority interests in share of profits and reserves	(30,892)	10,279	—	—
Cash outflows from financing	(1,927)	—	(118,764)	(282,585)
Dividends paid to minority interests	(401)	—	—	—
At 31 March	<u>(5,984)</u>	<u>13,904</u>	<u>888,109</u>	<u>1,043,462</u>

(d) Analysis of bank and other loans

	2002 HK\$'000	2001 HK\$'000
Bank loans and overdrafts (Note 20)	216,743	162,379
Less: Amount included under cash equivalents	<u>(30,263)</u>	<u>(379)</u>
	186,480	162,000
Long term bank loans (Note 24)	542,408	686,362
Other long term loans (Note 25)	<u>159,221</u>	<u>195,100</u>
	<u>888,109</u>	<u>1,043,462</u>

32. Subsequent events

- (a) In a government auction held on 15 April 2002 Landyork Investment Limited (“Landyork”) acquired Sha Tin Town Lot No. 526, No. 2 Lok Kwai Path, Area 43, Sha Tin, New Territories (the “Lot”) for the purpose of a residential development (the “Project”). On 18 April 2002 the Company agreed with USI Holdings Limited (“USI”) to establish a company in the name of Universal Plus Limited (“Universal”) for the sole purpose of investing in 50% of the issued share capital of Landyork. 20% of the issued share capital of Universal is held by a wholly owned subsidiary of the Company, and the other 80% by a wholly owned subsidiary of USI. The other 50% of Landyork’s issued share capital is held by Nan Fung Textiles Consolidated Limited (“Nan Fung”). The Company therefore has a 10% attributable indirect shareholding in Landyork.

The cost of the Lot is HK\$660 million and the construction costs of the Project are estimated at HK\$670 million. Completion of the Project is expected to take about 4 years. Nan Fung, USI and the Company have contributed to pay for half of the land cost by way of shareholders’ loans to Landyork in proportion to their respective attributable percentage shareholding in Landyork (the “Relevant Percentage” which is 10% in the case of the Company) and the Company’s contribution is HK\$33 million.

Landyork entered into a loan agreement on 25 June 2002 with the banks named therein and the Bank of China (Hong Kong) Limited as agent for the lenders (“Agent”) in relation to certain loan facilities (the “Facilities”) in the aggregate principal amount of HK\$1,000 million for the purposes of financing the balance of the land cost and the construction cost of the Project. As security for the Facilities, Nan Fung, USI and the Company (the “Guarantors”) have each provided a several repayment guarantee in favour of the Agent to the extent of their Relevant Percentage (10% in the case of the Company) of Landyork’s liabilities under the Facilities. The Guarantors have also entered into a completion guarantee and funding agreement in favour of the Agent undertaking firstly to procure completion or complete the Project, and secondly to provide funding for the Project upon the happening of certain events. The Guarantors’ funding and payment obligations under the said completion guarantee and funding agreement are several and limited to their respective Relevant Percentage (10% in the case of the Company).

USI is listed on the Stock Exchange. The transactions mentioned in the above constituted Connected Transactions as defined under Chapter 14 of the Listing Rules by reason that USI is deemed a substantial shareholder of the Company.

- (b) On 21 June 2002, Winprop Pte. Ltd. (“Winprop”), a wholly owned subsidiary of the Company newly established in Singapore, entered into a subscription agreement with Winworth Pte Ltd, Singapore (“Winworth”) to subscribe 176,471 new ordinary shares of S\$1.00 each in Winworth at par for cash and to advance to Winworth a loan of S\$30 million. The new shares in Winworth represent 15% of its enlarged share capital, and the other 85% is held by Wing Tai Land Pte. Ltd., Singapore (“WTL”), a wholly owned subsidiary of Wing Tai Holdings Limited, Singapore (“Wing Tai”). Upon completion of the subscription agreement on 26 June 2002, Winprop and WTL entered into a joint venture agreement to regulate, amongst other things, their relationship as shareholders of Winworth. Winprop also acquired from WTL a portion of the loan previously advanced by WTL to Winworth for a nominal consideration such that the loans owing by Winworth to Winprop and WTL respectively are in the proportion of 15% and 85%. With the exception of the loan of S\$30 million advanced by Winprop to Winworth at the time of the share subscription which bears simple normal interest at the rate of 4.0619% per annum for a period of 3 years from the date of advance and payable in a lump sum at the end thereof, the rest of the loans owing by Winworth to its shareholders are interest free. All the loans owing by Winworth to its shareholders have been subordinated to the indebtedness of Winworth to its bankers.

The Group’s total cost of investment in Winworth as aforesaid is HK\$133,184,000. Winworth is the proprietor of the 99-year leasehold land parcel 566 at Draycott Drive, Singapore and the condominium housing development thereon known as “The Draycott Park”. Construction costs would be funded by Winworth’s existing banking facilities and presale proceeds, and the development is scheduled for completion in mid 2006.

Wing Tai is listed on the Singapore Stock Exchange. The transactions mentioned in the above constituted Connected Transactions as defined under Chapter 14 of the Listing Rules by reason that Wing Tai is deemed a substantial shareholder of the Company.

33. Approval of accounts

The accounts set out on pages 14 to 41 were approved by the Board of Directors on 11 July, 2002.