

# Notes to the Financial Statements (Cont'd)

## 10. FIXED ASSETS

Group	Investment properties HK\$'000	Fixtures and equipment HK\$'000	Total HK\$'000
<b>Cost or valuation</b>			
At 30 September 2001			
Cost	–	1,521	1,521
Professional valuation	1,197,300	–	1,197,300
Additions	–	24	24
Revaluation deficit (note 18)	( 125,300)	–	( 125,300)
At 30 September 2002	<u>1,072,000</u>	<u>1,545</u>	<u>1,073,545</u>
<b>Accumulated depreciation</b>			
At 30 September 2001	–	1,263	1,263
Charge for the year	–	50	50
At 30 September 2002	<u>–</u>	<u>1,313</u>	<u>1,313</u>
<b>Net book value</b>			
At 30 September 2002	<u>1,072,000</u>	<u>232</u>	<u>1,072,232</u>
At 30 September 2001	<u>1,197,300</u>	<u>258</u>	<u>1,197,558</u>
<b>Company</b>			
<b>Cost or valuation</b>			
At 30 September 2001			
Cost	–	1,492	1,492
Professional valuation	1,100,000	–	1,100,000
Additions	–	24	24
Revaluation deficit (note 18)	( 120,000)	–	( 120,000)
At 30 September 2002	<u>980,000</u>	<u>1,516</u>	<u>981,516</u>
<b>Accumulated depreciation</b>			
At 30 September 2001	–	1,234	1,234
Charge for the year	–	50	50
At 30 September 2002	<u>–</u>	<u>1,284</u>	<u>1,284</u>
<b>Net book value</b>			
At 30 September 2002	<u>980,000</u>	<u>232</u>	<u>980,232</u>
At 30 September 2001	<u>1,100,000</u>	<u>258</u>	<u>1,100,258</u>
<b>Principal investment properties</b>	<b>Type</b>	<b>Floor area (Sq m)</b>	<b>Group interest</b>
Melbourne Plaza	Commercial	24,074	100%
Kimley Commercial Building	Commercial	4,554	100%

The investment properties are held under long term leases (over 50 years) in Hong Kong and were revalued on 30 September 2002 on an open market value basis by CS Surveyors Limited.

# Notes to the Financial Statements (Cont'd)

## 11. SUBSIDIARY COMPANY

	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	10,000	10,000
Amount receivable	1,919	1,595
	<u>11,919</u>	<u>11,595</u>

**Private company incorporated in Hong Kong and directly owned by the Company**

**Paid up ordinary share capital**

**Equity holding**

Iau On Company Limited

100,000 shares of HK\$100 each

100%

The subsidiary company is engaged in the business of property investment in Hong Kong.

## 12. ASSOCIATED COMPANIES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	70	70	70	70
Share of undistributed post-acquisition profits less losses	( 3,979)	( 4,060)	-	-
Group's share of net (liabilities)/assets	<u>( 3,909)</u>	<u>( 3,990)</u>	<u>70</u>	<u>70</u>
Amount receivable	5,346	5,327	5,346	5,326
Less: Provision	-	-	( 5,134)	( 5,134)
	5,346	5,327	212	192
Less: Amount payable	<u>( 225)</u>	<u>( 145)</u>	<u>( 225)</u>	<u>( 145)</u>
	<u>5,121</u>	<u>5,182</u>	<u>( 13)</u>	<u>47</u>
	<u>1,212</u>	<u>1,192</u>	<u>57</u>	<u>117</u>

Details of the associated companies are as follows:

**Private companies incorporated in Hong Kong and directly owned by the Company**

**Paid up ordinary share capital**

**Equity holding**

**Principal activities (in Hong Kong)**

Chuen King Enterprises Limited

1,000 shares of HK\$100 each

50%

Property development

Manlo Holdings Limited

6 shares of HK\$10 each

33 1/3 %

Investment holding

Littlejohn Company Limited

100,000 shares of HK\$1 each

20%

Investment holding

The accounting year ends of Manlo Holdings Limited and Littlejohn Company Limited are 31 March and 30 June respectively. The results of these companies included in the consolidated financial statements are based on their management financial statements made up to 30 September 2002.

The Group's share of the associated companies' results are:

	2002 HK\$'000	2001 HK\$'000
Loss brought forward	( 4,060)	( 4,086)
Share of profit after taxation	351	26
Dividend received	( 270)	-
Loss carried forward	<u>( 3,979)</u>	<u>( 4,060)</u>

# Notes to the Financial Statements (Cont'd)

## 13. UNLISTED INVESTMENT

	Group and Company	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	143	143
Advances	29,605	29,605
	<u>29,748</u>	<u>29,748</u>

Unlisted investment represents 14.29% equity interest in Billion Park Investment Limited ("Billion Park"), a private company incorporated in Hong Kong. The principal activity of Billion Park is to participate in Foshan International Country Club Company Limited, a co-operative joint venture formed in the People's Republic of China and in which the Group has an effective interest of 5%, for the construction of golf courses and related commercial and residential facilities in Foshan.

The advances are unsecured, interest free and have no specific repayment terms.

## 14. DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade debtors				
Below 60 days	3,147	1,961	2,715	1,755
61 to 90 days	728	262	604	246
91 days and above	1,749	1,202	1,660	1,194
	<u>5,624</u>	<u>3,425</u>	<u>4,979</u>	<u>3,195</u>
Deposits and prepayments	2,489	2,330	2,343	2,202
	<u>8,113</u>	<u>5,755</u>	<u>7,322</u>	<u>5,397</u>

Trade debtors represent rental income which is due one month in advance.

## 15. CREDITORS, ACCRUALS AND DEPOSITS

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade creditors				
Below 60 days	122	122	26	26
Accruals and deposits	13,845	14,099	12,966	13,234
	<u>13,967</u>	<u>14,221</u>	<u>12,992</u>	<u>13,260</u>

# Notes to the Financial Statements (Cont'd)

## 16. PROVISION FOR LONG SERVICE PAYMENTS

Effective 1 December 2000, the Group joined the Mandatory Provident Fund ("MPF") Scheme established under the MPF Schemes Ordinance for all of its employees. Mandatory contributions to the MPF Scheme are made by both the employers and employees at 5% of the employees' monthly relevant income capped at HK\$20,000. The amount charged to the profit and loss account in respect of the Scheme was HK\$280,000 (2001: HK\$127,000).

Apart from the MPF Scheme, the Group does not operate any other retirement schemes for its employees. A provision of HK\$5,996,000 (2001: HK\$5,847,000) has been made in respect of the Company's liability under the Hong Kong Employment Ordinance on the basis that all employees are eligible for long service payments and their employments are terminated as of the balance sheet date.

## 17. SHARE CAPITAL

	Group and Company	
	2002	2001
	HK\$'000	HK\$'000
Authorised		
30,000,000 shares of HK\$5 each	150,000	150,000
Issued and fully paid		
25,000,000 shares of HK\$5 each	125,000	125,000

## 18. RESERVES

	Group		Company		
	2002	2001	2002	2001	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Investment properties revaluation reserve					
At beginning of year	1,069,457	1,242,657	984,374	1,134,374	
Deficit on revaluation (note 10)	( 125,300)	( 173,200)	( 120,000)	( 150,000)	
At end of year	944,157	1,069,457	864,374	984,374	
Retained profit					
At beginning of year	29,209	26,413	28,061	25,232	
Profit for the year	46,415	35,296	46,336	35,329	
Dividends	( 37,500)	( 32,500)	( 37,500)	( 32,500)	
At end of year	38,124	29,209	36,897	28,061	
	982,281	1,098,666	901,271	1,012,435	
			Company and subsidiary company	Associated companies	Total
Retained profit					
At 30 September 2002		36,968		1,156	38,124
At 30 September 2001		28,135		1,074	29,209
Investment properties revaluation reserve					
At 30 September 2002		944,157		–	944,157
At 30 September 2001		1,069,457		–	1,069,457

Distributable reserves of the Company at 30 September 2002, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK\$36,897,000 (2001: HK\$28,061,000), after taking into account of the proposed final dividend for the year.

# Notes to the Financial Statements (Cont'd)

## 19. FUTURE MINIMUM RENTAL RECEIVABLE

The future aggregate minimum rental income under non-cancellable operating leases is receivable in the following years:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
First year	39,881	56,253	37,408	53,201
Second to fifth year inclusive	19,269	22,068	17,821	21,099
	<u>59,150</u>	<u>78,321</u>	<u>55,229</u>	<u>74,300</u>

The Group's and the Company's operating leases are generally for terms of two years.

## 20. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 HK\$'000	2001 HK\$'000
Operating profit	54,538	41,652
Depreciation	50	55
Gain on disposal of fixed assets	–	( 3)
Interest income	( 581)	( 1,164)
Decrease / (increase) in staff loans	91	( 931)
Increase in debtors, deposits and prepayments	( 2,380)	( 199)
Decrease in creditors, accruals, deposits and provision for long service payments	( 105)	( 431)
Net cash inflow from operating activities	<u>51,613</u>	<u>38,979</u>

## 21. RELATED PARTY TRANSACTIONS

In the normal course of business activities, certain investment properties of the Group are leased to related companies, which are controlled by certain Directors of the Company, at prices and terms no less than those contracted with other third party tenants of the Group. Rental and related income from these related companies during the year were HK\$3,454,000 (2001: HK\$3,356,000).

## 22. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 19 December 2002.