

# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 March 2003*

## 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 Company continues to act as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 16 and 17 respectively.

## 2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAP(s)”) issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new and revised accounting policies. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the presentation of a statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### **Foreign currencies**

The revisions to SSAP 11 “Foreign Currency Transaction” have eliminated the choice of translating the income statements of overseas operations at the closing rate for the year, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

### **Cash flow statements**

In the current year, the Group has adopted SSAP 15 (Revised) “Cash Flow Statement”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends received or paid, which were previously presented under a separate heading, are classified as investing or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of overseas operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 March 2003*

## 2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Continued)*

### **Employee benefits**

In the current year, the Group has adopted SSAP 34 “Employee Benefits”, which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit scheme, the adoption of SSAP 34 has not had any material impact on the financial statements.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 March 2003*

## 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **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.

### **Investments in securities**

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market values based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance in the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

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

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

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 March 2003*

## 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Foreign currencies**

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit for the year.

In preparing consolidated financial statements, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

### **Taxation**

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

### **Revenue recognition**

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### 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.

### 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. TURNOVER

Turnover represents the aggregate of amounts received and receivable from property rental income and sales of other investments.

|                            | 2003               | 2002              |
|----------------------------|--------------------|-------------------|
|                            | <i>HK\$</i>        | <i>HK\$</i>       |
| Property rental income     | 30,982,373         | 32,711,907        |
| Sales of other investments | 71,395,564         | 10,392,544        |
|                            | <u>102,377,937</u> | <u>43,104,451</u> |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 5. 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 2003

|                                | Property<br>leasing<br><i>HK\$</i> | Securities<br>investment<br><i>HK\$</i> | Consolidated<br><i>HK\$</i> |
|--------------------------------|------------------------------------|---|-----------------------------|
| Turnover                       | <u>30,982,373</u>                  | <u>71,395,564</u>                       | <u>102,377,937</u>          |
| Segment result                 | <u>17,642,779</u>                  | <u>10,466,046</u>                       | <u>28,108,825</u>           |
| Profit from operations         |                                    |   | 28,108,825                  |
| Finance costs                  | (2,404,887)                        | (2,061,727)                             | (4,466,614)                 |
| Share of results of associates | 7,883,153                          | –                                       | <u>7,883,153</u>            |
| Profit before taxation         |                                    |   | 31,525,364                  |
| Taxation                       |                                    |   | <u>(1,816,097)</u>          |
| Profit for the year            |                                    |   | <u>29,709,267</u>           |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### BALANCE SHEET

At 31 March 2003

|                         | Property<br>leasing<br>HK\$ | Securities<br>investment<br>HK\$ | Consolidated<br>HK\$ |
|-------------------------|-----------------------------|----------------------------------|----------------------|
| <b>ASSETS</b>           |                             |                                  |                      |
| Segment assets          | 635,739,727                 | 75,615,948                       | 711,355,675          |
| Interests in associates | 159,444,495                 | –                                | 159,444,495          |
|                         | <u>795,184,222</u>          | <u>75,615,948</u>                | <u>870,800,170</u>   |
| <b>LIABILITIES</b>      |                             |                                  |                      |
| Segment liabilities     | <u>124,188,743</u>          | <u>40,000,000</u>                | 164,188,743          |
| Tax liabilities         |                             |                                  | <u>1,162,653</u>     |
|                         |                             |                                  | <u>165,351,396</u>   |

### OTHER INFORMATION

For the year ended 31 March 2003

|                   | Property<br>leasing<br>HK\$ | Securities<br>investment<br>HK\$ | Consolidated<br>HK\$ |
|-------------------|-----------------------------|----------------------------------|----------------------|
| Capital additions | 54,812                      | –                                | 54,812               |
| Depreciation      | <u>744,976</u>              | <u>–</u>                         | <u>744,976</u>       |



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### INCOME STATEMENT

For the year ended 31 March 2002

|                                | Property<br>leasing<br>HK\$ | Securities<br>investment<br>HK\$ | Consolidated<br>HK\$     |
|--------------------------------|-----------------------------|----------------------------------|--------------------------|
| Turnover                       | <u>32,711,907</u>           | <u>10,392,544</u>                | <u>43,104,451</u>        |
| Segment result                 | <u>15,639,006</u>           | <u>9,917,522</u>                 | <u>25,556,528</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><u>23,118,910</u></u> |

### BALANCE SHEET

At 31 March 2002

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### OTHER INFORMATION

For the year ended 31 March 2002

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

## 6. INTEREST INCOME

|   | 2003<br>HK\$     | 2002<br>HK\$     |
|---|------------------|------------------|
| Interest income from bank deposits and balances | 19,610           | 18,475           |
| Interest income from other investments          | <u>5,603,747</u> | <u>5,263,683</u> |
|   | <u>5,623,357</u> | <u>5,282,158</u> |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 7. PROFIT FROM OPERATIONS

|  | 2003              | 2002              |
|--|-------------------|-------------------|
|  | <i>HK\$</i>       | <i>HK\$</i>       |
| Profit from operations has been arrived at after charging: |                   |                   |
| Auditors' remuneration                                     | 300,000           | 250,000           |
| Depreciation   | 744,976           | 999,757           |
| Exchange loss  | –                 | 38,217            |
| Staff costs (including Directors' remuneration)            | 7,368,239         | 6,332,536         |
| Mandatory provident fund contributions                     | 70,254            | 56,003            |
|  | <hr/>             | <hr/>             |
| Total staff costs  | 7,438,493         | 6,388,539         |
| and after crediting:                                       |                   |                   |
| Exchange gain  | 212,246           | –                 |
| Gain on disposal of other investments                      | 952,451           | 169,183           |
| Gross rental income from investment properties             | 30,982,373        | 32,711,907        |
| Less: Outgoings  | 2,015,590         | 1,831,893         |
|  | <hr/>             | <hr/>             |
| Net rental income  | <u>28,966,783</u> | <u>30,880,014</u> |

## 8. FINANCE COSTS

|  | 2003             | 2002             |
|--|------------------|------------------|
|  | <i>HK\$</i>      | <i>HK\$</i>      |
| Interest on bank borrowings            |                  |                  |
| wholly repayable within five years     | 1,211,760        | 2,601,831        |
| not wholly repayable within five years | 3,254,854        | 4,940,508        |
|  | <hr/>            | <hr/>            |
|  | <u>4,466,614</u> | <u>7,542,339</u> |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 9. DIRECTORS' REMUNERATION

|   | 2003             | 2002             |
|---|------------------|------------------|
|   | HK\$             | HK\$             |
| Directors' fees                             |                  |                  |
| Executive Directors                         | –                | –                |
| Non-Executive Director                      | 50,000           | 50,000           |
| Independent Non-Executive Directors         | 100,000          | 100,000          |
| Other emoluments (Executive Directors)      |                  |                  |
| Salaries and other benefits ( <i>Note</i> ) | 6,228,700        | 5,949,300        |
| Mandatory provident fund contributions      | 12,000           | 12,000           |
|   | <u>6,390,700</u> | <u>6,111,300</u> |

*Note:* The amount includes rateable value of HK\$790,200 (2002: HK\$790,800), being rent-free accommodation provided to a director by the Company.

Remuneration of the Directors are within the following bands:

|                               | Number of Directors |          |
|-------------------------------|---------------------|----------|
|                               | 2003                | 2002     |
| Nil – HK\$1,000,000           | 4                   | 4        |
| HK\$5,000,001 – HK\$5,500,000 | <u>1</u>            | <u>1</u> |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 10. EMPLOYEES' EMOLUMENTS

Of the five highest paid employees in the Group, two (2002: two) were Directors of the Company whose emoluments were included in note 9. The emoluments of the remaining three (2002: three) individuals were as follows:

|  | 2003<br>HK\$   | 2002<br>HK\$   |
|--|----------------|----------------|
| Salaries and other benefits            | 937,300        | 654,550        |
| Mandatory provident fund contributions | 33,965         | 30,253         |
|  | <u>971,265</u> | <u>684,803</u> |

The aggregate emoluments of each of the remaining three (2002: three) highest paid individuals during the years ended 31 March 2003 and 31 March 2002 were within the HK\$1,000,000 band.

During the years ended 31 March 2003 and 31 March 2002, 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.

## 11. TAXATION

|  | 2003<br>HK\$     | 2002<br>HK\$     |
|--|------------------|------------------|
| The charge comprises:                              |                  |                  |
| Company and subsidiaries                           |                  |                  |
| Hong Kong Profits Tax                              |                  |                  |
| Current year                                       | 967,491          | 853,915          |
| Overprovision in prior years                       | (735)            | (233,720)        |
|  | <u>966,756</u>   | <u>620,195</u>   |
| Underprovision of overseas taxation in prior years | –                | 976,930          |
| Share of tax on results of associates              | 849,341          | 774,500          |
|  | <u>1,816,097</u> | <u>2,371,625</u> |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 11. TAXATION (Continued)

Hong Kong Profits Tax is calculated at 16% (2002: 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 25.

## 12. DIVIDENDS

|  | 2003<br><i>HK\$</i>     | 2002<br><i>HK\$</i>     |
|--|-------------------------|-------------------------|
| Interim, paid – HK1.2 cents per share<br>(2002: HK1.0 cent per share)    | 3,693,750               | 3,078,125               |
| Final, proposed – HK1.6 cents per share<br>(2002: HK1.5 cents per share) | <u>4,925,000</u>        | <u>4,617,188</u>        |
|  | <u><u>8,618,750</u></u> | <u><u>7,695,313</u></u> |

The final dividend of HK1.6 cents per share has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

## 13. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit for the year of HK\$29,709,267 (2002: HK\$23,118,910) and on 307,812,522 (2002: 307,812,522) 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 2003

## 14. INVESTMENT PROPERTIES

|   | <i>HK\$</i>        |
|---|--------------------|
| <b>THE GROUP</b>                            |                    |
| VALUATION                                   |                    |
| At 1 April 2002                             | 619,230,850        |
| Exchange adjustment                         | 749,870            |
| Transfer from property, plant and equipment | 2,043,562          |
| Disposals                                   | (2,332,250)        |
| Deficit on revaluation                      | (21,349,862)       |
|   | <hr/>              |
| At 31 March 2003                            | <u>598,342,170</u> |

The investment properties of the Group were revalued at 31 March 2003 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:

|  | 2003               | 2002               |
|--|--------------------|--------------------|
|  | <i>HK\$</i>        | <i>HK\$</i>        |
| Properties in Hong Kong under medium-term leases | 583,130,000        | 603,840,000        |
| Properties outside Hong Kong                     |                    |                    |
| Freehold   | 9,931,570          | 10,188,250         |
| Medium-term lease                                | 4,633,200          | 4,555,200          |
| Long lease                                       | 647,400            | 647,400            |
|  | <hr/>              | <hr/>              |
|  | <u>598,342,170</u> | <u>619,230,850</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 2003

## 15. PROPERTY, PLANT AND EQUIPMENT

|                                      | Land and<br>buildings<br>held under<br>medium-term<br>lease in<br>Hong Kong<br><i>HK\$</i> | Furniture<br>and office<br>equipment<br><i>HK\$</i> | Leasehold<br>improvement<br><i>HK\$</i> | Motor<br>vehicles<br><i>HK\$</i> | Total<br><i>HK\$</i> |
|--------------------------------------|--|---|---|----------------------------------|----------------------|
| <b>THE GROUP</b>                     |  |   |   |                                  |                      |
| <b>COST</b>                          |  |   |   |                                  |                      |
| At 1 April 2002                      | 20,342,986   | 3,318,273   | 4,250,665                               | 6,149,994                        | 34,061,918           |
| Additions                            | –  | 54,812  | –                                       | –                                | 54,812               |
| Disposals                            | –  | (67,599)  | –                                       | –                                | (67,599)             |
| Transfer to investment<br>properties | (2,307,553)  | –   | –                                       | –                                | (2,307,553)          |
| <b>At 31 March 2003</b>              | <b>18,035,433</b>  | <b>3,305,486</b>                                    | <b>4,250,665</b>                        | <b>6,149,994</b>                 | <b>31,741,578</b>    |
| <b>DEPRECIATION</b>                  |  |   |   |                                  |                      |
| At 1 April 2002                      | 1,987,931  | 3,051,334   | 2,945,234                               | 6,149,994                        | 14,134,493           |
| Provided for the year                | 197,786  | 133,867   | 413,323                                 | –                                | 744,976              |
| Eliminated on disposals              | –  | (67,599)  | –                                       | –                                | (67,599)             |
| Transfer to investment<br>properties | (263,991)  | –   | –                                       | –                                | (263,991)            |
| <b>At 31 March 2003</b>              | <b>1,921,726</b>   | <b>3,117,602</b>                                    | <b>3,358,557</b>                        | <b>6,149,994</b>                 | <b>14,547,879</b>    |
| <b>NET BOOK VALUES</b>               |  |   |   |                                  |                      |
| <b>At 31 March 2003</b>              | <b>16,113,707</b>  | <b>187,884</b>                                      | <b>892,108</b>                          | <b>–</b>                         | <b>17,193,699</b>    |
| At 31 March 2002                     | 18,355,055   | 266,939   | 1,305,431                               | –                                | 19,927,425           |



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 15. PROPERTY, PLANT AND EQUIPMENT (Continued)

|                                    | Furniture<br>and office<br>equipment<br><i>HK\$</i> |
|------------------------------------|---|
| THE COMPANY                        |   |
| COST                               |   |
| At 1 April 2002 and 31 March 2003  | 258,636   |
| DEPRECIATION                       |   |
| At 1 April 2002 and 31 March 2003  | <u>258,636</u>                                      |
| NET BOOK VALUE                     |   |
| At 31 March 2003 and 31 March 2002 | <u><u>—</u></u>                                     |

## 16. INTERESTS IN SUBSIDIARIES

|   | 2003<br><i>HK\$</i>       | 2002<br><i>HK\$</i>       |
|---|---------------------------|---------------------------|
| Unlisted shares, at cost less impairment loss | 48,528,428                | 48,528,420                |
| Amounts due from subsidiaries less allowance  | <u>380,213,356</u>        | <u>297,399,229</u>        |
|   | <u><u>428,741,784</u></u> | <u><u>345,927,649</u></u> |

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 16. INTERESTS IN SUBSIDIARIES (Continued)

Details of the Company's wholly owned subsidiaries at 31 March 2003 are as follows:

| Name of subsidiary                  | Place of incorporation/<br>operation    | Issued and<br>fully paid<br>ordinary<br>share capital | Principal activities  |
|-------------------------------------|---|---|-----------------------|
| Bo Ding Holdings Ltd.               | Republic of Liberia/<br>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   |
| Hokin Investment Limited            | The British Virgin<br>Islands/Hong Kong | US\$1   | Securities investment |
| Kamillex Company Limited            | Hong Kong                               | HK\$2   | Investment holding    |
| Kimberly Investment Limited         | Hong Kong                               | HK\$2   | Property investment   |
| Kimwui Investments Limited          | Hong Kong                               | HK\$2   | Property investment   |
| Kinghale Investment Limited         | Hong Kong                               | HK\$2   | Inactive              |
| Kingunit Company Limited            | Hong Kong                               | HK\$2   | Property investment   |
| Laquinta Investments Limited        | The British Virgin<br>Islands/Hong Kong | US\$1   | Property investment   |
| Longo Investment Company<br>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 debt securities outstanding at the end of the year or at any time during the year.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 17. INTERESTS IN ASSOCIATES

|                              | THE GROUP          |                    | THE COMPANY       |                   |
|------------------------------|--------------------|--------------------|-------------------|-------------------|
|                              | 2003<br>HK\$       | 2002<br>HK\$       | 2003<br>HK\$      | 2002<br>HK\$      |
| Unlisted shares, at cost     | –                  | –                  | 32                | 32                |
| Share of net assets          | 133,997,669        | 130,483,857        | –                 | –                 |
| Amount due from an associate | <u>25,446,826</u>  | <u>32,446,826</u>  | <u>25,446,826</u> | <u>32,446,826</u> |
|                              | <u>159,444,495</u> | <u>162,930,683</u> | <u>25,446,858</u> | <u>32,446,858</u> |

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 2003 are as follows:

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 17. INTERESTS IN ASSOCIATES (Continued)

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

Operating results for the year ended 31 March:

|  | 2003<br><i>HK\$</i>     | 2002<br><i>HK\$</i>     |
|--|-------------------------|-------------------------|
| Turnover   | 19,651,716              | 20,175,839              |
| Depreciation                                     | 22,295                  | 22,295                  |
| Profit before taxation                           | <u>15,766,306</u>       | <u>14,952,692</u>       |
| Profit before taxation attributable to the Group | <u><u>7,883,153</u></u> | <u><u>7,476,346</u></u> |

Financial position at 31 March:

|   | 2003<br><i>HK\$</i>       | 2002<br><i>HK\$</i>       |
|---|---------------------------|---------------------------|
| Non-current assets                            | 326,468,001               | 333,530,296               |
| Current assets                                | 614,711                   | 741,296                   |
| Current liabilities                           | (8,193,784)               | (8,410,288)               |
| Non-current liabilities                       | <u>(50,893,653)</u>       | <u>(64,893,653)</u>       |
| Shareholders' funds                           | <u><u>267,995,275</u></u> | <u><u>260,967,651</u></u> |
| Shareholders' funds attributable to the Group | <u><u>133,997,638</u></u> | <u><u>130,483,826</u></u> |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 18. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables is rental receivable of HK\$331,070 (2002: HK\$574,798) with defined credit policy. The rental income is billed in advance and settlement is expected upon receipt of billing.

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

## 19. OTHER INVESTMENTS

|  | 2003              | 2002              |
|--|-------------------|-------------------|
|  | <i>HK\$</i>       | <i>HK\$</i>       |
| <b>THE GROUP</b>                       |                   |                   |
| Listed overseas debt securities        | <u>71,544,057</u> | <u>73,041,213</u> |
| Market value of listed debt securities | <u>71,544,057</u> | <u>73,041,213</u> |

## 20. TRADE AND OTHER PAYABLES

Included in trade and other payables is rental receipt in advance of HK\$474,605 (2002: HK\$480,094).

All the rental receipt 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 2003

## 21. SHARE CAPITAL

|                         | Number of<br>ordinary shares<br>of HK\$0.5 each |                    | Nominal value      |                    |
|-------------------------|---|--------------------|--------------------|--------------------|
|                         | 2003  | 2002               | 2003<br>HK\$       | 2002<br>HK\$       |
| <b>THE COMPANY</b>      |   |                    |                    |                    |
| 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 and 31 March | <u>307,812,522</u>                              | <u>307,812,522</u> | <u>153,906,261</u> | <u>153,906,261</u> |

## 22. RESERVES

|                                      | Share<br>premium<br>account<br>HK\$ | Capital<br>redemption<br>reserve<br>HK\$ | Dividend<br>reserve<br>HK\$ | Accumulated<br>profits<br>HK\$ | Total<br>HK\$     |
|--------------------------------------|-------------------------------------|--|-----------------------------|--------------------------------|-------------------|
| <b>THE COMPANY</b>                   |                                     |  |                             |                                |                   |
| At 1 April 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<br>and 1 April 2002 | 72,818,414                          | 2,662,000                                | 4,617,188                   | 21,773,035                     | 101,870,637       |
| Profit for the year                  | –                                   | –  | –                           | 1,568,171                      | 1,568,171         |
| Dividends declared                   | –                                   | –  | 8,618,750                   | (8,618,750)                    | –                 |
| Dividends paid                       | –                                   | –  | (8,310,938)                 | –                              | (8,310,938)       |
| At 31 March 2003                     | <u>72,818,414</u>                   | <u>2,662,000</u>                         | <u>4,925,000</u>            | <u>14,722,456</u>              | <u>95,127,870</u> |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 22. RESERVES (Continued)

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\$19,647,456 (2002: HK\$26,390,223) 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 Group's investment property revaluation reserve is an amount of HK\$17,681,212 (2002: 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 directly to accumulated profits.

## 23. BANK LOANS

|  | THE GROUP           |                     | THE COMPANY         |          |
|--|---------------------|---------------------|---------------------|----------|
|  | 2003                | 2002                | 2003                | 2002     |
|  | HK\$                | HK\$                | HK\$                | HK\$     |
| The secured bank loans are repayable as follows: |                     |                     |                     |          |
| Within one year                                  | 51,643,027          | 64,211,907          | 25,000,000          | —        |
| More than one year but not exceeding two years   | 11,999,181          | 11,626,730          | —                   | —        |
| More than two years but not exceeding five years | 38,222,887          | 37,269,879          | —                   | —        |
| More than five years                             | 29,066,025          | 42,987,003          | —                   | —        |
|  | <u>130,931,120</u>  | <u>156,095,519</u>  | <u>25,000,000</u>   | <u>—</u> |
| Less: Amount due within one year                 | <u>(51,643,027)</u> | <u>(64,211,907)</u> | <u>(25,000,000)</u> | <u>—</u> |
|  | <u>79,288,093</u>   | <u>91,883,612</u>   | <u>—</u>            | <u>—</u> |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 24. AMOUNTS DUE TO SUBSIDIARIES

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

## 25. 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 future taxable profits will be sufficient to offset the current tax losses.

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

|   | THE GROUP        |                  | THE COMPANY    |                |
|---|------------------|------------------|----------------|----------------|
|   | 2003             | 2002             | 2003           | 2002           |
|   | HK\$             | HK\$             | HK\$           | HK\$           |
| Tax effect of timing differences<br>because of: |                  |                  |                |                |
| Excess of depreciation over<br>tax allowances   | 128,241          | 117,913          | 646            | 719            |
| Tax losses                                      | <u>1,127,206</u> | <u>1,583,992</u> | <u>359,990</u> | <u>259,759</u> |
|   | <u>1,255,447</u> | <u>1,701,905</u> | <u>360,636</u> | <u>260,478</u> |



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 25. DEFERRED TAXATION (Continued)

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

|   | THE GROUP        |               | THE COMPANY    |                |
|---|------------------|---------------|----------------|----------------|
|   | 2003             | 2002          | 2003           | 2002           |
|   | HK\$             | HK\$          | HK\$           | HK\$           |
| Tax effect of timing differences because of:        |                  |               |                |                |
| Difference between depreciation over tax allowances | (726)            | 21,548        | (140)          | (670)          |
| Tax losses (utilised) arising                       | (605,285)        | 54,332        | 75,879         | 134,121        |
| Effect of change in tax rate                        | 159,553          | –             | 24,419         | –              |
|   | <u>(446,458)</u> | <u>75,880</u> | <u>100,158</u> | <u>133,451</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.

## 26. 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 2003 amounted to HK\$70,254 (2002: HK\$56,003). As at 31 March 2003, contributions due in respect of the reporting period had been fully paid over to the MPF.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 27. PLEDGE OF ASSETS

At the balance sheet date, the Group's banking facilities amounting HK\$235,948,000 (2002: HK\$235,948,000) were fully secured by its land and buildings and investment properties with an aggregate carrying value amounting HK\$523,045,279 (2002: HK\$540,343,305). These facilities were utilised to the extent of HK\$146,942,839 (2002: HK\$172,507,612) as at the balance sheet date.

## 28. 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       |                    |
|--------------|-----------|----------|-------------------|--------------------|
|              | 2003      | 2002     | 2003              | 2002               |
|              | HK\$      | HK\$     | HK\$              | HK\$               |
| Subsidiaries | <u>–</u>  | <u>–</u> | <u>95,885,519</u> | <u>144,427,564</u> |

## 29. OPERATING LEASE ARRANGEMENTS

The Group as lessee

|  | THE GROUP      |                |
|--|----------------|----------------|
|  | 2003           | 2002           |
|  | HK\$           | HK\$           |
| Minimum lease payments paid under operating leases in respect of rented properties during the year | <u>576,000</u> | <u>576,000</u> |

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2003

## 29. OPERATING LEASE ARRANGEMENTS (Continued)

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      |               |
|---------------------------------------|----------------|---------------|
|                                       | 2003           | 2002          |
|                                       | HK\$           | HK\$          |
| Within one year                       | 576,000        | 48,000        |
| In the second to fifth year inclusive | 48,000         | —             |
|                                       | <u>624,000</u> | <u>48,000</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.

### The Group as lessor

The investment properties of the Group are expected to generate rental yields of approximately 5% (2002: 5%) on an ongoing basis. All of the properties held have committed tenants not exceeding three years.

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

|                                       | THE GROUP         |                   |
|---------------------------------------|-------------------|-------------------|
|                                       | 2003              | 2002              |
|                                       | HK\$              | HK\$              |
| Within one year                       | 24,920,981        | 14,310,049        |
| In the second to fifth year inclusive | 12,770,561        | 3,582,389         |
|                                       | <u>37,691,542</u> | <u>17,892,438</u> |