

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 (“SSAPs”) 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, properties held for development, leasehold land and buildings and other investments.

In the current year, the Group adopted the following new or revised SSAPs:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 33:	Discontinued operations
SSAP 34 (revised):	Employee benefits

The adoption of these new or revised SSAPs in the Group’s accounting policies has no material effect on the Group’s accounts, except for certain changes in the current year’s presentation.

Prior to 1 April 2002, the Group recognised the gain on disposal of an investment property, being the difference between the revenue and the carrying cost of the investment property, as a single item under other revenues in the profit and loss account. The relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve and included as part of the gain on disposal of the investment property.

Commencing 1 April 2002, the Group has adopted a new accounting policy to recognise the revenue from disposal of an investment property as turnover and the carrying cost of the investment property as cost of sales in the profit and loss account. The relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve and netted off against the cost of sales of the corresponding investment property. Such change in recognition policy does not have any impact on the Group’s net profit throughout the years presented.

Certain comparative figures have been reclassified to conform with the current year’s presentation.

(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 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.

(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 less accumulated impairment losses 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 sale 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.

Notes to the Accounts

(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 balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior years, the profit and loss account of foreign enterprises was translated at closing rate. This is a change in accounting policy, however, the translation of the profit and loss of foreign enterprises in prior years has not been restated as the effect of this change is not material to the current and prior years.

(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.

(p) Revenue recognition *(continued)*

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) Employee benefits

Employee leave entitlements

Employee entitlements to annual leave and statutory long service payments are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

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 segments 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.

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:

	2003	2002
	HK\$'000	HK\$'000
Turnover		
Sale of properties	112,226	35,021
Rental and property management	174,347	186,385
Warehousing	25,551	24,198
	312,124	245,604
Other revenues		
Dividend income from other investments	24,083	24,078
Recovery of debts under liquidation	—	11,774
Interest income	4,754	325
Others	644	3,717
	29,481	39,894
	341,605	285,498

Notes to the Accounts

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 2003					Group HK\$'000
	Sale of properties	Rental and property management	Warehousing	Investment	Elimination	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover						
External	112,226	174,347	25,551	—	—	312,124
Inter-segment	—	637	—	—	(637)	—
	<u>112,226</u>	<u>174,984</u>	<u>25,551</u>	<u>—</u>	<u>(637)</u>	<u>312,124</u>
Segment results	<u>43,301</u>	<u>118,191</u>	<u>(8,713)</u>	<u>19,511</u>	<u>—</u>	172,290
Unallocated income less expenses						(17,983)
Loss on disposal of subsidiaries						(13)
Gain on disposal of associated companies						1,220
Operating profit before interest						155,514
Interest income less finance costs						(16,305)
Operating profit						139,209
Share of profits less losses of associated companies	—	(328)	—	(380)		(708)
Profit before taxation						138,501
Taxation						(9,074)
Profit after taxation						129,427
Minority interests						(8,573)
Profit attributable to shareholders						<u>120,854</u>
Segment assets	136,571	2,171,407	70,827	607,504		2,986,309
Investment in associated companies	—	18,806	—	35,881		54,687
Unallocated assets						8,740
Total assets						<u>3,049,736</u>
Segment liabilities	583	190,295	8,414	923		200,215
Unallocated liabilities						777,325
Total liabilities						<u>977,540</u>
Capital expenditure	—	21,747	1,609	—		23,356
Depreciation	—	743	5,015	—		5,758

2. Turnover, revenue and segment information (continued)

	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	35,021	186,385	24,198	—	—	245,604
Inter-segment	—	1,186	—	—	(1,186)	—
	<u>35,021</u>	<u>187,571</u>	<u>24,198</u>	<u>—</u>	<u>(1,186)</u>	<u>245,604</u>
Segment results	<u>7,051</u>	<u>121,848</u>	<u>(1,732)</u>	<u>31,893</u>	<u>—</u>	159,060
Unallocated income less expenses						(24,380)
Loss on disposal of associated companies						<u>(659)</u>
Operating profit before interest						134,021
Interest income less finance costs						<u>(33,417)</u>
Operating profit						100,604
Share of profits less losses of associated companies	—	8,135	(1,199)	(4,452)		<u>2,484</u>
Profit before taxation						103,088
Taxation						<u>125</u>
Profit after taxation						103,213
Minority interests						<u>(11,491)</u>
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						<u>14,271</u>
Total assets						<u>3,100,012</u>
Segment liabilities	—	228,622	27,698	242		256,562
Unallocated liabilities						<u>760,947</u>
Total liabilities						<u>1,017,509</u>
Capital expenditure	—	4,598	1,020	—		5,618
Depreciation	—	2,588	2,414	—		5,002

Notes to the Accounts**2. Turnover, revenue and segment information** *(continued)***Geographical segments**

	Year ended 31 March 2003			
	Turnover HK\$'000	Segment result HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	296,623	158,401	2,232,824	20,813
Singapore	3,990	25,452	683,459	970
Mainland China	11,511	(11,563)	70,026	1,573
	<u>312,124</u>	<u>172,290</u>	<u>2,986,309</u>	<u>23,356</u>
Unallocated income less expenses		(17,983)		
Loss on disposal of subsidiaries		(13)		
Gain on disposal of associated companies		1,220		
Operating profit before interest		155,514		
Interest income less finance costs		(16,305)		
Operating profit		<u>139,209</u>		
Investments in associated companies			54,687	
Unallocated assets			<u>8,740</u>	
Total assets			<u>3,049,736</u>	

	Year ended 31 March 2002			
	Turnover HK\$'000	Segment result HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
Hong Kong	237,202	139,255	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	—
	<u>245,604</u>	<u>159,060</u>	<u>3,066,019</u>	<u>5,618</u>
Unallocated income less expenses		(24,380)		
Loss on disposal of associated companies		(659)		
Operating profit before interest		134,021		
Interest income less finance costs		(33,417)		
Operating profit		<u>100,604</u>		
Investments in associated companies			19,722	
Unallocated assets			<u>14,271</u>	
Total assets			<u>3,100,012</u>	

3. Operating profit

Operating profit is stated after crediting and charging the following:

	2003 HK\$'000	2002 HK\$'000
Crediting:		
Gross rental income from investment properties	165,329	176,181
Gross rental income from property held for development	8,098	9,456
Gain on disposal of investment properties	44,521	9,261
Gain on disposal of other fixed assets	123	—
Gain on disposal of associated companies	1,220	—
Exchange gain	—	192
	<u> </u>	<u> </u>
Charging:		
Depreciation of fixed assets	5,758	5,002
Staff costs (<i>Note 6</i>)	30,044	36,759
Outgoings in respect of investment properties	47,481	56,224
Outgoings in respect of property held for development	6,295	6,650
Operating leases – land and buildings	7,232	7,358
Loss on disposal of other fixed assets	—	6
Loss on disposal of subsidiaries	13	—
Loss on disposal of associated companies	—	659
Provision for other investments	3,540	3,942
Auditors' remuneration	746	660
Exchange loss	416	—
	<u> </u>	<u> </u>

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:

	2003 HK\$'000	2002 HK\$'000
Fees	405	446
Other emoluments:		
Salaries	5,473	5,647
Bonuses	1,910	2,660
Retirement gratuities	—	7,500
Contribution to provident fund	66	53
	<u> </u>	<u> </u>
	7,854	16,306

Directors' fees disclosed above include HK\$205,000 (2002: HK\$238,000) 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	
	2003	2002
Nil – HK\$1,000,000	10	11
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	—	2
HK\$2,000,001 – HK\$2,500,000	1	1
HK\$2,500,001 – HK\$3,000,000	1	—
HK\$3,500,001 – HK\$4,000,000	—	2
	<u> </u>	<u> </u>
	13	17

Notes to the Accounts**4. Directors' and senior management's emoluments** *(continued)***(b) Five highest paid individuals**

Among the five individuals whose emoluments were the highest in the Group for the year, four (2002: five) of them were Directors of the Company and whose emoluments are disclosed above. The remuneration of the other individual in 2003 was as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries	867	—
Bonuses	200	—
Contribution to provident fund	12	—
	<u>1,079</u>	<u>—</u>

5. Finance costs

	2003 HK\$'000	2002 HK\$'000
Interest expense		
Bank loans and overdrafts	21,059	33,742
Other loans repayable within five years	—	—
Total borrowing costs	<u>21,059</u>	<u>33,742</u>

6. Staff costs

	2003 HK\$'000	2002 HK\$'000
Salaries, wages and other benefits	29,320	28,481
Retirement benefits	724	778
Retirement gratuities paid	—	7,500
Total staff costs, including Directors' emoluments	<u>30,044</u>	<u>36,759</u>

The Group contributes to a defined contribution mandatory provident fund scheme for those employees in Hong Kong under the age of 65. Two subsidiaries operate 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.

Contributions totaling HK\$50,000 (2002: HK\$51,000) 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% (2002: 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.

	2003 HK\$'000	2002 HK\$'000
The Company and its subsidiaries:		
Hong Kong profits tax	(7,599)	2,402
Overseas taxation	(52)	(353)
Deferred taxation (Note 26)	<u>(1,252)</u>	<u>(541)</u>
	<u>(8,903)</u>	<u>1,508</u>
Associated companies:		
Hong Kong profits tax	—	(1)
Overseas taxation	<u>(171)</u>	<u>(1,382)</u>
	<u>(171)</u>	<u>(1,383)</u>
	<u>(9,074)</u>	<u>125</u>
Deferred tax (charge)/credit for the year has not been accounted for in respect of:		
Tax losses	<u>(949)</u>	<u>506</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\$24,133,000 (2002: HK\$58,607,000).

9. Dividends

	2003 HK\$'000	2002 HK\$'000
Interim dividend, paid, of HK\$0.05 per share (2002: HK\$0.05 per share)	12,984	12,984
Final dividend, proposed, of HK\$0.05 per share (2002: HK\$0.05 per share)	<u>12,984</u>	<u>12,984</u>
	<u>25,968</u>	<u>25,968</u>

At a meeting held on 10 July 2003 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 2004.

10. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of HK\$120,854,000 (2002: HK\$91,722,000) and 259,685,288 (2002: 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 2003 (2002: Nil).

Notes to the Accounts**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:

	2003	2002
	HK\$'000	HK\$'000
Rental and storage income received from the Winsor Industrial Corporation, Limited ("WICL") Group	2,614	4,772
Rental expenses paid to the WICL Group	1,712	1,698
Reimbursement of administrative expenses to the WICL Group	2,535	4,226

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 Oceanic Cotton Mill Limited ("Oceanic") and Chericourt Company Limited ("Chericourt") are 80% owned subsidiaries of the Group:

During the year loans were advanced by Oceanic to wholly owned subsidiaries of the Group. As at 31 March 2003 loans advanced by Oceanic to wholly owned subsidiaries of the Group amounted to HK\$857,000 (2002: Nil). These loans are unsecured, interest free and have no fixed terms of repayment.

As at 31 March 2003, shareholders' loans granted by the Group's wholly owned subsidiaries to Chericourt amounted to HK\$624,320,000 (2002: HK\$624,320,000). 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 loans totalling HK\$23,376,000 were advanced by Chericourt to wholly owned subsidiaries of the Group. As at 31 March 2003, loans advanced by Chericourt to wholly owned subsidiaries of the Group amounted to HK\$212,968,000 (2002: HK\$189,592,000). These loans are unsecured, have no fixed terms of repayment and carry interests based on the cost of funding of Chericourt, which in turn is based on Hong Kong Inter-bank Offer Rate plus a spread.

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 2003 was HK\$76,048,000 (2002: HK\$88,048,000). 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 2003 was HK\$144,000,000 (2002: HK\$150,000,000). The outstanding balance at 31 March 2003 under the revolving loan facility was HK\$30,000,000 (2002: HK\$30,000,000).

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 2003 was HK\$25,000,000 (2002: HK\$25,000,000).

11. Related party and connected transactions *(continued)*

- (e) The following transactions constituted Connected Transactions as defined under Chapter 14 of the Listing Rules by reason that USI Holdings Limited (“USI”, a company listed on the Stock Exchange), is deemed a substantial shareholder of the Company:

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 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 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 outstanding balance at 31 March 2003 under the Facilities was HK\$338,171,000 (2002: Nil). 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).

As at 31 March 2003, loans advanced by the Group to Universal amounted to HK\$34,305,000 (2002: Nil) (Note 14). These loans are unsecured, have no fixed terms of repayment and carry interests based on Hong Kong prime rate less a spread.

Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward, non-executive Directors of the Company, are also directors of USI.

Notes to the Accounts

11. Related party and connected transactions *(continued)*

- (d) The following transactions constituted Connected Transactions as defined under Chapter 14 of the Listing Rules by reason that Wing Tai Holdings Limited, Singapore (“Wing Tai”, a company listed on the Singapore Stock Exchange), is deemed a substantial shareholder of the Company:

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 Investment 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 (“Subscription Loan”). 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. 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 Subscription Loan 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.

As at 31 March 2003, the Subscription Loan advanced to Winworth amounted to HK\$131,760,000 (2002: Nil) (Note 15).

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 will be funded by Winworth’s existing banking facilities and presale proceeds, and the development is scheduled for completion in mid 2006.

Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai sun, Edward, non-executive Directors of the Company, are both beneficiaries of a family trust, the assets of which included indirect interests in 239,277,272 shares in Wing Tai, representing 39.09% of Wing Tai’s issued share capital.

Mr. Langley, Christopher Patrick, independent non-executive Director of the Company, was appointed independent non-executive Director of Wing Tai on 25 June 2003.

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 2002	1,850,484	81,395	453,000	43,237	2,428,116
Translation differences	3,422	(47)	—	(20)	3,355
Additions	—	1,168	19,398	2,790	23,356
Revaluation	(63,584)	(22,529)	(19,398)	—	(105,511)
Distribution to minority interests	—	(19,634)	—	(415)	(20,049)
Disposals	(112,226)	—	—	(2,875)	(115,101)
At 31 March 2003	1,678,096	40,353	453,000	42,717	2,214,166
Accumulated depreciation					
At 1 April 2002	—	16,534	—	35,011	51,545
Translation differences	—	(13)	—	(21)	(34)
Revaluation	—	(15,846)	—	—	(15,846)
Charge for the year	—	2,334	—	3,424	5,758
Distribution to minority interests	—	(3,009)	—	(38)	(3,047)
Disposals	—	—	—	(2,474)	(2,474)
At 31 March 2003	—	—	—	35,902	35,902
Net book value					
At 31 March 2003	1,678,096	40,353	453,000	6,815	2,178,264
At 31 March 2002	1,850,484	64,861	453,000	8,226	2,376,571
Analysis of cost or valuation:					
At valuation	1,678,096	40,353	453,000	—	2,171,449
At cost	—	—	—	42,717	42,717
	1,678,096	40,353	453,000	42,717	2,214,166

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

	Group	
	2003	2002
	HK\$'000	HK\$'000
Held in Hong Kong:		
On medium-term leases	2,055,020	2,224,196
Held outside Hong Kong:		
On long-term leases	76,076	79,288
On medium-term leases	9,572	32,251
On short-term renewable leases	30,781	32,610
	2,171,449	2,368,345

Investment properties (other than agricultural lots) and property held for development held in Hong Kong were revalued at 31 March 2003 by Jones Lang LaSalle Limited. The agricultural lots held in Hong Kong were revalued at 31 March 2003 by B. I. Appraisals Limited. Investment properties held in Singapore were revalued at 31 March 2003 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 and short-term renewable leases are held in Mainland China and are stated at Directors' valuations at 31 March 2003 carried out on the depreciated replacement cost basis.

Other fixed assets are stated at cost less accumulated depreciation.

Certain investment properties with a total net book value of HK\$1,451,366,000 as at 31 March 2003 (2002: HK\$1,613,483,000) have been mortgaged to secure the Group's banking facilities.

Notes to the Accounts**13. Subsidiaries**

	Company	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares – at cost	1	1
Loans and amounts due from subsidiaries	3,321,157	3,322,968
Less: Provision	<u>(828,500)</u>	<u>(725,864)</u>
	<u>2,492,658</u>	<u>2,597,105</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\$32,115,000 (2002: HK\$131,082,000) 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 43 to 44.

14. Associated companies

	Group	
	2003	2002
	HK\$'000	HK\$'000
Group's share of net assets	4,070	3,079
Amounts and loans due from associated companies	<u>50,617</u>	<u>16,643</u>
	<u>54,687</u>	<u>19,722</u>
Investments at cost – unlisted shares	<u>9,874</u>	<u>10,218</u>

The amounts and loans due from associated companies are unsecured and have no fixed terms of repayment. Except for an amount of HK\$34,305,000 (2002: Nil) due from Universal (Note 11(c)) which carries interest at Hong Kong prime rate less a spread, all other amounts and loans due from associated companies are interest free.

Particulars of the associated companies are set out on page 44.

15. Other investments

	Group	
	2003	2002
	HK\$'000	HK\$'000
Unlisted investments, at valuation	470,650	472,230
Loans due from unlisted investments	139,928	4,062
Less: Provision	<u>(3,262)</u>	<u>—</u>
	<u>607,316</u>	<u>476,292</u>

Unlisted investments include investments in 5.14% (2002: 5.14%) and 10.06% (2002: 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 2003, the Suntec Interests were revalued by the Directors on a business valuation basis with reference to the property market in Singapore at HK\$468,586,000 (2002: HK\$470,662,000). 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.

As at 31 March 2003, the Subscription Loan advanced to Winworth (Note 11(d)) amounted to HK\$131,760,000 (2002: Nil). The Subscription Loan is unsecured, has no fixed terms of repayment and bears simple normal interest at the rate of 4.0619% per annum for a period of 3 years from 26 June 2002 and payable in a lump sum at the end thereof, and has been subordinated to the indebtedness of Winworth to its bankers.

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

16. Other receivables

	Group	
	2003	2002
	HK\$'000	HK\$'000
Loans due from third parties	178,085	178,085
Less: Provision	<u>(178,085)</u>	<u>(178,085)</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, no dividend (2002: HK\$11,774,000) was received from the liquidators of the Borrowers.

17. Properties for sale

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

Notes to the Accounts**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	
	2003	2002
	HK\$'000	HK\$'000
Current – 45 days	4,165	6,752
46 – 90 days	2,102	4,450
Over 90 days	<u>2,518</u>	<u>2,466</u>
	<u>8,785</u>	<u>13,668</u>

19. Creditors and accruals

Included in creditors and accruals are trade creditors the ageing analysis of which is as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Current – 45 days	2,113	2,587
46 – 90 days	9	676
Over 90 days	<u>15</u>	<u>257</u>
	<u>2,137</u>	<u>3,520</u>

20. Bank loans and overdrafts

	Group	
	2003	2002
	HK\$'000	HK\$'000
Repayable on demand or within one year:		
Secured	38,846	186,743
Unsecured	<u>156</u>	<u>30,000</u>
	39,002	216,743
Current portion of long term bank loans (<i>Note 24</i>)	<u>89,436</u>	<u>69,484</u>
	<u>128,438</u>	<u>286,227</u>

Short term bank loans included an amount of HK\$8,846,000 (*2002: HK\$8,480,000*) denominated in Singapore dollar. Certain investment properties and properties for sale with a total net book value of HK\$1,587,937,000 at 31 March 2003 (*2002: HK\$1,756,447,000*) 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 2002 and 2003	<u>750,000,000</u>	<u>7,500</u>
Issued and fully paid:		
At 31 March 2002 and 2003	<u>259,685,288</u>	<u>2,596</u>

22. Reserves

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Contributed surplus				
At 1 April of the previous year	857,373	857,373	2,542,087	2,396,928
(Provision)/Reversal of provision for subsidiaries	—	—	(102,636)	145,159
At 31 March	<u>857,373</u>	<u>857,373</u>	<u>2,439,451</u>	<u>2,542,087</u>
Land and buildings revaluation reserve				
At 1 April of the previous year	197,477	44,656	—	—
Arising from revaluation – Subsidiaries	(17,908)	152,821	—	—
At 31 March	<u>179,569</u>	<u>197,477</u>	<u>—</u>	<u>—</u>
Investment properties revaluation reserve				
At 1 April of the previous year	610,549	973,869	—	—
Amount realised on disposal of investment properties – Subsidiaries	(45,802)	(16,495)	—	—
Amount realised on disposal of associated companies	(422)	(5,253)	—	—
Arising from revaluation – Subsidiaries	(39,945)	(341,572)	—	—
At 31 March	<u>524,380</u>	<u>610,549</u>	<u>—</u>	<u>—</u>
Investment revaluation reserve				
At 1 April of the previous year	370,280	423,302	—	—
Amount realised on disposal of investments – Associated companies	—	(5,763)	—	—
Arising from revaluation – Subsidiaries	(2,076)	(47,259)	—	—
At 31 March	<u>368,204</u>	<u>370,280</u>	<u>—</u>	<u>—</u>
Exchange fluctuation account				
At 1 April of the previous year	(13,098)	(12,126)	—	—
Exchange loss realised on disposal of an associated company	—	15	—	—
Net movement for the year	960	(987)	—	—
At 31 March	<u>(12,138)</u>	<u>(13,098)</u>	<u>—</u>	<u>—</u>
Total reserves	<u>1,917,388</u>	<u>2,022,581</u>	<u>2,439,451</u>	<u>2,542,087</u>

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Investment properties revaluation reserve	—	422
Exchange fluctuation account	(1)	10
	<u>(1)</u>	<u>432</u>

Notes to the Accounts

23. Retained earnings

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
At 1 April of the previous year	57,326	(21,412)	52,605	6,982
Profit for the year	120,854	91,722	24,133	58,607
Prior year final dividend paid	(12,984)	—	(12,984)	—
Interim dividend paid (Note 9)	(12,984)	(12,984)	(12,984)	(12,984)
At 31 March	<u>152,212</u>	<u>57,326</u>	<u>50,770</u>	<u>52,605</u>
Represented by:				
Retained earnings	139,228	44,342	37,786	39,621
Final dividend proposed (Note 9)	<u>12,984</u>	<u>12,984</u>	<u>12,984</u>	<u>12,984</u>
	<u>152,212</u>	<u>57,326</u>	<u>50,770</u>	<u>52,605</u>
Company and subsidiaries	154,323	61,204	50,770	52,605
Associated companies	<u>(2,111)</u>	<u>(3,878)</u>	<u>—</u>	<u>—</u>
	<u>152,212</u>	<u>57,326</u>	<u>50,770</u>	<u>52,605</u>
Profit for the year retained by:				
Company and subsidiaries	95,887	65,721	(1,835)	32,639
Associated companies	<u>(1,001)</u>	<u>33</u>	<u>—</u>	<u>—</u>
	<u>94,886</u>	<u>65,754</u>	<u>(1,835)</u>	<u>32,639</u>

24. Long term bank loans

	Group	
	2003 HK\$'000	2002 HK\$'000
Secured – wholly repayable within five years	733,391	542,408
Less: Amount repayable within one year included under current liabilities (Note 20)	<u>(89,436)</u>	<u>(69,484)</u>
	<u>643,955</u>	<u>472,924</u>
The bank loans are repayable as follows:		
Within one year	89,436	69,484
In the second year	142,193	98,484
In the third to fifth years inclusive	<u>501,762</u>	<u>374,440</u>
	<u>733,391</u>	<u>542,408</u>

The bank loans included an amount of HK\$169,227,000 (2002: HK\$34,277,000) denominated in Singapore dollar. Certain investment properties and properties for sale with a total net book value of HK\$1,587,937,000 at 31 March 2003 (2002: HK\$1,756,447,000) have been mortgaged to secure the Group's short term and long term bank loans.

25. Other long term loans

	Group	
	2003	2002
	HK\$'000	HK\$'000
Amounts due to minority shareholders of subsidiaries	<u>155,717</u>	<u>159,221</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	
	2003	2002
	HK\$'000	HK\$'000
At 1 April of the previous year	7,368	6,827
Transfer from profit and loss account (<i>Note 7</i>)	<u>1,252</u>	<u>541</u>
At 31 March	<u>8,620</u>	<u>7,368</u>
Arising from:		
Accelerated depreciation allowances	<u>8,620</u>	<u>7,368</u>
The potential deferred tax asset which has not been accounted for amounts to:		
Unrelieved tax losses	<u>13,819</u>	<u>14,768</u>

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

27. Future lease receipts

	Group	
	2003	2002
	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	122,541	110,944
Later than one year and not later than five years	<u>64,545</u>	<u>52,992</u>
	<u>187,086</u>	<u>163,936</u>

Notes to the Accounts**28. Capital commitments**

	Group	
	2003	2002
	HK\$'000	HK\$'000
Contracted but not provided for	521	521
Authorised but not contracted for	—	—
	<u>521</u>	<u>521</u>

29. Lease commitments

	Group	
	2003	2002
	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	6,333	7,271
Later than one year and not later than five years	430	5,980
	<u>6,763</u>	<u>13,251</u>

30. Contingent liabilities

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given in respect of banking facilities granted to subsidiaries	—	—	1,227,578	1,103,157
Guarantee given in respect of banking facilities granted to Landyork (<i>Note 11(c)</i>) in proportion to the Group's 10% effective equity interest	100,000	—	100,000	—
	<u>100,000</u>	<u>—</u>	<u>1,327,578</u>	<u>1,103,157</u>

31. Notes to the consolidated cash flow statement

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

	2003 HK\$'000	2002 HK\$'000
Operating profit	139,209	100,604
Valuation decrease of land and buildings	8,173	—
Depreciation charges	5,758	5,002
Profit on disposal of fixed assets	(44,644)	(9,255)
Loss on disposal of subsidiaries	13	—
(Profit)/loss on disposal of associated companies	(1,220)	659
Provision for other investments	3,540	3,942
Recovery of debts under liquidation	—	(11,774)
Interest income	(4,754)	(325)
Interest expenses	21,059	33,742
Dividend income	(24,083)	(24,078)
Exchange translation differences	(287)	13
Operating profit before working capital changes	102,764	98,530
Decrease in properties for sale	1,219	2,210
Decrease/(increase) in debtors and receivables	18,932	(10,612)
Increase/(decrease) in creditors and accruals	3,465	(959)
Net cash inflow generated from operations	<u>126,380</u>	<u>89,169</u>

(b) Disposal of subsidiaries

	2003 HK\$'000	2002 HK\$'000
Net assets disposed of		
Debtors and receivables	490	—
Minority interests	(477)	—
	13	—
Loss on disposal	(13)	—
	—	—
Net inflow of cash	<u>—</u>	<u>—</u>

(c) Distribution in specie to minority interests in subsidiaries

	2003 HK\$'000	2002 HK\$'000
Net assets distributed		
Fixed assets	17,002	—
Debtors and receivables	865	—
Creditors and accruals	(566)	—
	17,301	—
Minority interests discharged	(17,301)	—
	—	—
Net outflow of cash	<u>—</u>	<u>—</u>

Notes to the Accounts**31. Notes to the consolidated cash flow statement** *(continued)***(d) Analysis of changes in financing during the year**

	Minority interests		Bank and other loans	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April of the previous year	(5,984)	13,904	888,109	1,043,462
Exchange differences	—	25	2,132	(710)
Acquisition of subsidiaries and minority interests in subsidiaries	—	13,307	—	(35,879)
Disposal of subsidiaries	(477)	—	—	—
Distribution in specie to minority interests	(17,301)	—	—	—
Minority interests in share of profits and reserves	1,291	(30,892)	—	—
Cash inflow/(outflow) from financing	—	(2,328)	37,713	(118,764)
At 31 March	(22,471)	(5,984)	927,954	888,109

(e) Analysis of bank and other loans

	2003	2002
	HK\$'000	HK\$'000
Bank loans and overdrafts <i>(Note 20)</i>	39,002	216,743
Less: Amount included under cash equivalents	(156)	(30,263)
	38,846	186,480
Long term bank loans <i>(Note 24)</i>	733,391	542,408
Other long term loans <i>(Note 25)</i>	155,717	159,221
	927,954	888,109

32. Subsequent event

Subsequent to the balance sheet date, the Group entered into interest rate swap arrangements with certain banks to reduce the risk of changes in market interest rates on its bank loans. The swap arrangements change the interest rates on an aggregate amount of HK\$180,000,000 of the Group's bank loans from floating rates (based on Hong Kong Inter-bank Offer Rate) to fixed rates.

33. Approval of accounts

The accounts set out on pages 15 to 44 were approved by the Board of Directors on 10 July 2003.