

Notes to the Financial Statements

FOR THE YEAR ENDED 31ST JANUARY, 2002

1. GENERAL

The Company is a company incorporated in Hong Kong and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are property investment, development and trading.

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 ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these standards has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3.

Except for SSAP 14 (Revised) "Leases" below, the adoption of these new and revised SSAPs has not resulted in changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

Leases

SSAP 14 (Revised) "Leases" has introduced some amendments to the basis of accounting for operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment had been required. Disclosures for all of the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties.

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 31st January 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.

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 - Continued

FOR THE YEAR ENDED 31ST JANUARY, 2002

3. SIGNIFICANT 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.

Revenue recognition

Income from properties developed for sale or held for sale is recognised on the execution of a binding sales agreement or when the relevant occupation permit is issued by the relevant authority, whichever is the later.

Rental income under operating leases is recognised on a straight line basis over the term of the relevant lease.

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

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 value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement.

On disposal of investment properties, the balance on the investment property revaluation reserve attributable to that property disposed of is credited in the income statement.

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than 20 years.

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation or amortisation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the reducing balance method, at the following rates per annum:

Air-conditioning system	10%
Furniture, fixtures and office equipment	20%
Computer system	20%

The gain or loss arising from 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 - Continued

FOR THE YEAR ENDED 31ST JANUARY, 2002

3. SIGNIFICANT ACCOUNTING POLICIES - Continued

Properties under development

Properties under development are carried at cost, less any identified impairment loss. Cost includes professional fees and borrowing costs capitalised in accordance with the Group's accounting policy.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by the apportionment of the total land and development costs attributable to the unsold properties. Net realisable value is determined by reference to the estimated sales proceeds less selling expenses.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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. Impairment losses are 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, such 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement date. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on translation are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries and associates which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

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.

Notes to the Financial Statements - Continued

FOR THE YEAR ENDED 31ST JANUARY, 2002

4. SEGMENT INFORMATION

The Group is mainly engaged in property development and trading and property investment. This is the basis on which the Group reports its primary segment information.

(a) Business Segments

INCOME STATEMENT

	Contribution to profit (loss) before taxation		Contribution to loss before taxation	
	Turnover	2002	Turnover	2001
	HK\$	HK\$	HK\$	HK\$
Property development and trading	3,625,000	392,054	2,200,000	(6,164,256)
Property investment	380,500	(3,123,248)	412,000	(3,136,067)
	<u>4,005,500</u>	<u>(2,731,194)</u>	<u>2,612,000</u>	<u>(9,300,323)</u>
Share of results of associates		(5,174,119)		(243,896)
Loss before taxation		<u>(7,905,313)</u>		<u>(9,544,219)</u>

BALANCE SHEET

	Segment assets		Segment liabilities	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Property development and trading	55,156,325	57,011,976	9,161,548	9,683,718
Property investment	8,274,658	9,958,617	9,864,348	10,150,594
Interest in associates	6,230,189	11,404,308	-	-
	<u>69,661,172</u>	<u>78,374,901</u>	<u>19,025,896</u>	<u>19,834,312</u>

No disclosure on the addition and depreciation of capital assets on each segment as the amount involved is not significant.

Notes to the Financial Statements - Continued

FOR THE YEAR ENDED 31ST JANUARY, 2002

4. SEGMENT INFORMATION- Continued

(b) Geographical Segments

	Contribution to profit (loss) before taxation		Contribution to loss before taxation	
	Turnover 2002 HK\$	2002 HK\$	Turnover 2001 HK\$	2001 HK\$
Hong Kong	380,500	(3,123,248)	412,000	(3,136,067)
Macau	3,625,000	392,054	2,200,000	(6,164,256)
	<u>4,005,500</u>	<u>(2,731,194)</u>	<u>2,612,000</u>	<u>(9,300,323)</u>
Share of results of associates		(5,174,119)		(243,896)
Loss before taxation		<u>(7,905,313)</u>		<u>(9,544,219)</u>

The following is an analysis of the carrying amount of segment assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets	
	At 31.1.2002 HK\$	At 31.1.2001 HK\$
Hong Kong	14,504,847	21,362,925
Macau	55,156,325	57,011,976
	<u>69,661,172</u>	<u>78,374,901</u>

5. OTHER REVENUE

Included in other revenue is bank interest income of HK\$112,483 (2001: HK\$184,224).

Notes to the Financial Statements - Continued

FOR THE YEAR ENDED 31ST JANUARY, 2002

6. LOSS FROM OPERATIONS

	2002 HK\$	2001 HK\$
Loss from operations has been arrived at after charging (crediting):		
Auditors' remuneration	191,000	200,000
Directors' emoluments	138,333	865,000
Other staff costs	72,840	72,840
Depreciation	2,468	3,056
Revaluation deficit on revaluation of investment properties	1,720,000	800,000
Gross rents from investment properties under operating leases	(380,500)	(412,000)
Less: Outgoings	23,484	28,934
	<u>(357,016)</u>	<u>(383,066)</u>

7. FINANCE COSTS

	2002 HK\$	2001 HK\$
The finance costs comprise:		
Interest on bank borrowing not wholly repayable within five years	417,593	623,475
Interest on bank overdrafts	169,997	146,344
	<u>587,590</u>	<u>769,819</u>

8. DIRECTORS' EMOLUMENTS

	2002 HK\$	2001 HK\$
Directors' fees:		
Executive directors	-	-
Non-executive directors	-	-
Independent non-executive directors	138,333	865,000
	<u>138,333</u>	<u>865,000</u>