

# 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 and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is engaged in investment holding and the operation of public godowns. The principal activities of its subsidiaries are set out in note 27.

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these SSAPs has resulted in the introduction of presentation of the statement of changes in equity and a change in the format of presentation of the cash flow statement, and in the adoption of new accounting policy, but has had no significant effect on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

### *Presentation of financial statements*

SSAP 1 (Revised) has introduced the format of presentation of the statement of changes in equity.

### *Foreign currency translation*

SSAP 11 (Revised) has eliminated the choice of translating the income statement of overseas subsidiaries 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.

### *Cash flow statements*

Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest received, dividends received, and interest and dividends paid are classified as operating, investing and financing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. Cash flows of overseas subsidiaries and 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. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

### *Employee benefits*

SSAP 34 has introduced measurement rules and disclosure requirements for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any significant impact on the financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for revaluation of investment properties and investments in securities, and 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 are eliminated on consolidation.

### *Investments in subsidiaries*

Investments in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.

### *Turnover*

Turnover represents godown operating income and gross rental income received and receivable during the year.

### *Revenue recognition*

Godown operating income is recognised on an accrual basis when the godown facilities are utilised and services are rendered.

Rental income from properties 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.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Revenue recognition (Continued)*

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### *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 revaluation increase or decrease 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. 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 the disposal of investment properties, 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 are stated at cost less depreciation, amortisation and any identified impairment loss.

Depreciation and amortisation is provided to write off the cost of the assets over their estimated useful lives, using the straight line method, as follows:

#### Godown premises in Hong Kong

Land	Over the unexpired term of the lease
Buildings	Shorter of the useful life of the buildings and the unexpired term of the land lease
Office premises and car parks in the Mainland China under medium-term land use right	2% per annum
Leasehold improvements, furniture, fixtures and equipment	25% per annum
Motor vehicles	25% per annum

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Investments in securities*

Investments in securities are recognised on a trade date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains or losses are included in the net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the securities are disposed of or are determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

### *Impairment*

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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, 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.

### *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. Gains and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the subsidiaries operating outside Hong Kong are translated at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to translation reserve. Such translation differences are recognised as income or expenses in the period in which the subsidiary 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.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Retirement benefit costs*

Payments to defined contribution retirement benefit plan are charged as an expense as they fall due.

## 4. SEGMENT INFORMATION

### *Business segments*

For management purposes, the Group is currently organised into two operating divisions – godown operation and property investment. These divisions are the basis on which the Group reports its segment information.

Segment information about these businesses is presented below:

For the year ended 31 March 2003

	Godown operations HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Revenue</b>				
External income	26,958	57,992	–	84,950
Inter-segment income	–	5,676	(5,676)	–
Total revenue	<u>26,958</u>	<u>63,668</u>	<u>(5,676)</u>	<u>84,950</u>
<b>Segment result</b>	<u>10,780</u>	<u>45,336</u>	<u>–</u>	<u>56,116</u>
Bank interest income				679
Dividend income from listed investments				1,877
Unallocated corporate expenses				<u>(5,471)</u>
Profit from operations				53,201
Finance costs				<u>(2,392)</u>
Profit before taxation				50,809
Taxation				<u>(6,060)</u>
Profit for the year				<u>44,749</u>

# Notes to the Financial Statements

For the year ended 31 March 2003

## 4. SEGMENT INFORMATION (Continued)

At 31 March 2003

	Godown operations HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
<b>Assets</b>			
Segment assets	52,002	808,737	860,739
Unallocated corporate assets			62,284
Consolidated total assets			<u>923,023</u>
<b>Liabilities</b>			
Segment liabilities	16,739	24,944	41,683
Unallocated corporate liabilities			69,434
Consolidated total liabilities			<u>111,117</u>
	Godown operations HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
<b>Other information</b>			
Capital expenditure	1,617	1,468	3,085
Depreciation and amortisation	3,667	451	4,118

# Notes to the Financial Statements

For the year ended 31 March 2003

## 4. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2002

	Godown operations HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Revenue</b>					
External income	36,127	52,612	–	–	88,739
Inter-segment income	–	6,516	–	(6,516)	–
Total revenue	<u>36,127</u>	<u>59,128</u>	<u>–</u>	<u>(6,516)</u>	<u>88,739</u>
<b>Segment result</b>	<u>10,207</u>	<u>42,854</u>	<u>2,024</u>	<u>–</u>	55,085
Bank interest income					1,338
Dividend income from listed investments			3,209		3,209
Unallocated corporate expenses					<u>(7,283)</u>
Profit from operations					52,349
Finance costs					<u>(5,189)</u>
Profit before taxation					47,160
Taxation					<u>(1,921)</u>
Profit for the year					<u>45,239</u>

At 31 March 2002

	Godown operations HK\$'000	Property investment HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>Assets</b>				
Segment assets	88,799	769,537	31,979	890,315
Unallocated corporate assets				<u>49,682</u>
Consolidated total assets				<u>939,997</u>
<b>Liabilities</b>				
Segment liabilities	17,137	21,965	20	39,122
Unallocated corporate liabilities				<u>111,947</u>
Consolidated total liabilities				<u>151,069</u>



# Notes to the Financial Statements

For the year ended 31 March 2003

## 4. SEGMENT INFORMATION (Continued)

	Godown operations HK\$'000	Property investment HK\$'000	Others HK\$'000	Consolidated HK\$'000
<b>Other information</b>				
Capital expenditure	256	812	—	1,068
Depreciation and amortisation	5,792	351	—	6,143

### Geographical segments

More than 90% of the Group's turnover, profit from operations, assets and liabilities were derived from and located in Hong Kong and, therefore, no geographical segments are presented.

## 5. PROFIT FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	450	476
Realised loss on other securities	35	—
Impairment loss on property, plant and equipment	300	—
and after crediting:		
Gross rental income from investment properties	57,992	52,612
Less: outgoings	(4,699)	(3,906)
Net rental income	53,293	48,706
Bank interest income	679	1,338
Dividend income from listed investments	1,877	3,209
Net unrealised gain on trading securities	153	1,601
Net realised gain on trading securities	—	458
Write back of provision for long service payments	3,000	—
Gain on disposal of property, plant and equipment	—	62

## 6. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	2,268	4,978
Other loans wholly repayable within five years	124	211
	2,392	5,189



# Notes to the Financial Statements

For the year ended 31 March 2003

## 7. DIRECTORS' EMOLUMENTS

	2003 HK\$'000	2002 HK\$'000
Directors' fees:		
Executive	45	45
Non-executive	40	55
Independent non-executive	140	140
Other emoluments – Executive directors:		
Salaries and other emoluments	8,489	3,949
Retirement benefits scheme contribution	24	24
Total emoluments	<u>8,738</u>	<u>4,213</u>

The emoluments of directors were within the following bands:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	4	5
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$7,000,001 to HK\$7,500,000	1	–

## 8. EMPLOYEES' EMOLUMENTS

Of the five highest-paid emoluments in the Group, two (2002: two) were executive directors of the Company whose remunerations are included in disclosure in note 7 above. The emoluments of the remaining three (2002: three) individuals were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and other benefits	1,776	1,659
Retirement benefits scheme contribution	36	24
	<u>1,812</u>	<u>1,683</u>

The aggregate emoluments for each of the above-mentioned three (2002: three) employees during the year were within the HK\$1,000,000 band.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 9. TAXATION

	2003 HK\$'000	2002 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	1,965	2,396
Overprovision in prior year	(105)	(84)
	<hr/>	<hr/>
	1,860	2,312
Deferred taxation ( <i>note 20</i> )	4,200	(391)
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	6,060	1,921
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Hong Kong Profits Tax is calculated at 16% (2002: 16%) of the estimated assessable profits for the year.

Details of the deferred taxation for the year are set out in note 20.

## 10. DIVIDENDS

	2003 HK\$'000	2002 HK\$'000
Interim dividend, paid – 4 cents (2002: 5 cents) per ordinary share	5,400	6,750
Final dividend, proposed – 5 cents (2002: 6 cents) per ordinary share	6,750	8,100
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	12,150	14,850
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A final dividend of 5 cents per share, amounting to HK\$6,750,000, for the year has been proposed by the directors and is subject to the approval by shareholders in the annual general meeting.

## 11. EARNINGS PER SHARE – BASIC

The calculation of earnings per share is based on the profit for the year of HK\$44,749,000 (2002: HK\$45,239,000) and on 135,000,000 shares in issue throughout the two years.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 12. INVESTMENT PROPERTIES

### THE GROUP

HK\$'000

#### VALUATION

At 1 April 2002	763,600
Transfer from property, plant and equipment	35,869
Net revaluation increase	1,531
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At 31 March 2003	801,000
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The investment properties are rented out under operating leases. They were revalued at 31 March 2003 on an open market value basis by Messrs. Jones Lang LaSalle Limited and A A Property Services Limited, Chartered Surveyors. The net revaluation increase amounting to HK\$1,531,000 has been credited to investment property revaluation reserve.

The carrying amount of investment properties comprises properties on land in Hong Kong held under the following terms of leases:

	2003 HK\$'000	2002 HK\$'000
Long leases	101,000	19,600
Medium-term leases	700,000	744,000
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	801,000	763,600
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# Notes to the Financial Statements

For the year ended 31 March 2003

## 13. PROPERTY, PLANT AND EQUIPMENT

	Godown premises in Hong Kong under long leases HK\$'000	Godown premises in Hong Kong under medium- term leases HK\$'000	Office premises and carparks in Mainland China under medium- term land use right HK\$'000	Leasehold improvements, furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE GROUP</b>						
<b>COST</b>						
At 1 April 2002	140,113	32,975	1,668	17,415	3,146	195,317
Additions	—	—	—	2,839	246	3,085
Transfer to investment properties	(65,615)	—	—	(846)	—	(66,461)
At 31 March 2003	74,498	32,975	1,668	19,408	3,392	131,941
<b>DEPRECIATION, AMORTISATION AND IMPAIRMENT</b>						
At 1 April 2002	63,472	25,629	364	16,169	3,146	108,780
Provided for the year	2,975	225	53	840	25	4,118
Transfer to investment properties	(30,592)	—	—	—	—	(30,592)
Impairment loss recognised	—	—	300	—	—	300
At 31 March 2003	35,855	25,854	717	17,009	3,171	82,606
<b>NET BOOK VALUE</b>						
At 31 March 2003	<u>38,643</u>	<u>7,121</u>	<u>951</u>	<u>2,399</u>	<u>221</u>	<u>49,335</u>
At 31 March 2002	<u>76,641</u>	<u>7,346</u>	<u>1,304</u>	<u>1,246</u>	<u>—</u>	<u>86,537</u>

# Notes to the Financial Statements

For the year ended 31 March 2003

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

	Leasehold improvements, furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>THE COMPANY</b>			
<b>COST</b>			
At 1 April 2002	6,893	2,477	9,370
Additions	55	—	55
At 31 March 2003	6,948	2,477	9,425
<b>DEPRECIATION</b>			
At 1 April 2002	6,453	2,477	8,930
Provided for the year	306	—	306
At 31 March 2003	6,759	2,477	9,236
<b>NET BOOK VALUE</b>			
At 31 March 2003	189	—	189
At 31 March 2002	440	—	440

## 14. INVESTMENTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>31,780</b>	31,780
Loans to subsidiaries	<b>792,010</b>	807,522
	<b>823,790</b>	839,302
Impairment loss recognised	<b>(160,632)</b>	(160,632)
	<b>663,158</b>	678,670

Except for the loans of HK\$764,772,000 (2002: HK\$779,450,000) and HK\$3,774,000 (2002: HK\$3,839,000) which bear interest at 0.25% (2002: range of 0.25% to 2.5%) per annum and prime rate (2002: prime rate), respectively, the loans to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Details of the subsidiaries at 31 March 2003 are set out in note 27.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 15. INVESTMENTS IN SECURITIES

	Trading securities		Other securities		Total	
	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>						
Equity securities:						
Listed in Hong Kong, at market value	12,041	9,123	13,019	22,821	25,060	31,944
Unlisted	—	—	—	35	—	35
	<u>12,041</u>	<u>9,123</u>	<u>13,019</u>	<u>22,856</u>	<u>25,060</u>	<u>31,979</u>
Carrying amount analysed for reporting purposes as:						
Non-current	—	—	13,019	22,856	13,019	22,856
Current	12,041	9,123	—	—	12,041	9,123
	<u>12,041</u>	<u>9,123</u>	<u>13,019</u>	<u>22,856</u>	<u>25,060</u>	<u>31,979</u>
<b>THE COMPANY</b>						
Equity securities:						
Listed in Hong Kong, at market value	12,041	9,123	13,019	22,821	25,060	31,944
Carrying amount analysed for reporting purposes as:						
Non-current	—	—	13,019	22,821	13,019	22,821
Current	12,041	9,123	—	—	12,041	9,123
	<u>12,041</u>	<u>9,123</u>	<u>13,019</u>	<u>22,821</u>	<u>25,060</u>	<u>31,944</u>



# Notes to the Financial Statements

For the year ended 31 March 2003

## 16. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit period of 60 days to its trade customers.

An aged analysis of trade customers of the Group and the Company are as follows:

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables				
Within 60 days	4,208	3,547	2,479	1,782
61-90 days	261	277	136	228
Over 90 days	589	483	144	303
	<u>5,058</u>	<u>4,307</u>	<u>2,759</u>	<u>2,313</u>
Other receivables	5,346	3,892	632	1,162
	<u>10,404</u>	<u>8,199</u>	<u>3,391</u>	<u>3,475</u>

## 17. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans	58,000	104,000	20,000	30,000
Bank overdrafts	3,553	3,991	1,665	1,765
	<u>61,553</u>	<u>107,991</u>	<u>21,665</u>	<u>31,765</u>
Less: Amount due within one year shown under current liabilities	(61,553)	(87,991)	(21,665)	(31,765)
Amount due over one year	<u>—</u>	<u>20,000</u>	<u>—</u>	<u>—</u>
Analysed as:				
Secured	59,888	106,226	20,000	30,000
Unsecured	1,665	1,765	1,665	1,765
	<u>61,553</u>	<u>107,991</u>	<u>21,665</u>	<u>31,765</u>

# Notes to the Financial Statements

For the year ended 31 March 2003

## 18. SHARE CAPITAL

	2003 & 2002 Number of shares	2003 & 2002 HK\$'000
Authorised:		
Ordinary shares of HK\$1 each	<u>200,000,000</u>	<u>200,000</u>
Issued and fully paid:		
Ordinary shares of HK\$1 each	<u>135,000,000</u>	<u>135,000</u>

## 19. RESERVES

	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>THE COMPANY</b>				
At 1 April 2001	43,216	(5,369)	491,191	529,038
Revaluation decrease not recognised in income statement	—	(5,716)	—	(5,716)
Profit for the year	—	—	19,364	19,364
Dividends paid	—	—	(16,200)	(16,200)
At 31 March 2002	43,216	(11,085)	494,355	526,486
Revaluation decrease not recognised in the income statement	—	(9,802)	—	(9,802)
Profit for the year	—	—	11,733	11,733
Dividends paid	—	—	(13,500)	(13,500)
At 31 March 2003	<u>43,216</u>	<u>(20,887)</u>	<u>492,588</u>	<u>514,917</u>

At the balance sheet date, the Company's reserves available for distribution to shareholders amounted to HK\$351,475,000 (2002: HK\$353,242,000) which is analysed as follows:

	2003 HK\$'000	2002 HK\$'000
The Company's retained profits as stated above	492,588	494,355
Less: Profit on transfer of property to a subsidiary	<u>(141,113)</u>	<u>(141,113)</u>
	<u>351,475</u>	<u>353,242</u>

# Notes to the Financial Statements

For the year ended 31 March 2003

## 20. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance brought forward	3,339	3,730	—	—
Charge (credit) for the year (note 9)	4,200	(391)	—	—
Balance carried forward	<u>7,539</u>	<u>3,339</u>	<u>—</u>	<u>—</u>

At the balance sheet date, the major components of the potential deferred taxation (liabilities) assets, including the amounts which have been provided in the financial statements, are as follows:

	Amounts provided		Potential assets (liabilities)	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>				
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	(18,357)	(3,339)	(17,351)	(13,855)
Tax losses	10,561	—	10,995	13,929
Other timing differences	257	—	1,070	1,354
	<u>(7,539)</u>	<u>(3,339)</u>	<u>(5,286)</u>	<u>1,428</u>
<b>THE COMPANY</b>				
Tax effect of timing differences because of:				
Shortfall of tax allowances over depreciation	—	—	88	75
Other timing differences	—	—	692	790
	<u>—</u>	<u>—</u>	<u>780</u>	<u>865</u>

The remaining deferred taxation asset has not been recognised in the financial statements as it is not certain that the timing differences will crystallise in the foreseeable future.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 20. DEFERRED TAXATION (Continued)

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

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences because of:				
Difference between tax allowances and depreciation	11,522	(629)	13	(10)
Tax losses arising	(13,495)	(1,926)	—	—
Other timing differences	(541)	(148)	(98)	(108)
	<u>(2,514)</u>	<u>2,703</u>	<u>(85)</u>	<u>(118)</u>

Deferred taxation has not been provided on the surplus arising on the revaluation of investment properties or investments in securities as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation difference does not constitute a timing difference for tax purposes.

## 21. PROVISION FOR LONG SERVICE PAYMENTS

The Group does not have any formal retirement scheme before participating in the Mandatory Provident Fund Scheme, but makes provision for long service payments on an annual basis. The directors are of the opinion that the provision at the balance sheet date is sufficient to cover the Group's probable obligations. The level of such provision will be reviewed on an annual basis and adjusted as appropriate. Movements in the provision for long service payments during the year were as follows:

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Balance brought forward	8,667	8,845	5,222	5,458
Additional provision	206	475	—	—
Utilisation during the year	(290)	(653)	(99)	(236)
Write back of overprovision	(3,000)	—	(800)	—
Balance carried forward	<u>5,583</u>	<u>8,667</u>	<u>4,323</u>	<u>5,222</u>

In addition to the provision for long service payments, the Group has contributed to Mandatory Provident Fund Scheme for employees commencing from 1 December 2000 and the amount paid for the year is HK\$536,000 (2002: HK\$681,000).

# Notes to the Financial Statements

For the year ended 31 March 2003

## 22. LOAN FROM A SUBSIDIARY

The amount is unsecured, interest free and has no fixed terms of repayment. Repayment of the amount will not be demanded within the next twelve months from the balance sheet date. Accordingly, the amount is shown as non-current.

## 23. CAPITAL COMMITMENTS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	195	—

At the balance sheet date, the Company did not have any significant capital commitment.

## 24. PLEDGE OF ASSETS

The Company's bank deposit of HK\$20,000,000 (2002: HK\$30,000,000) has been pledged to secure a short-term bank loan of HK\$20,000,000 (2002: HK\$30,000,000).

In addition, the Group's investment properties and property, plant and equipment with carrying values of HK\$700,000,000 (2002: HK\$744,000,000) and HK\$6,093,000 (2002: HK\$6,294,000), respectively, were pledged to banks to secure general banking facilities of HK\$119,000,000 (2002: HK\$139,000,000) granted to the Group.

## 25. OPERATING LEASE ARRANGEMENTS

*The Group as lessor*

Property rental income earned during the year was HK\$57,992,000 (2002: HK\$52,612,000). The properties held have committed tenants for a term ranging from half year to three years.

At the balance sheet date, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Within one year	41,328	45,604
In the second to fifth year inclusive	27,635	25,470
	68,963	71,074

At the balance sheet date, the Company did not have any significant operating lease commitment.

# Notes to the Financial Statements

For the year ended 31 March 2003

## 26. RELATED PARTY TRANSACTIONS

During the year, the Group received a reimbursement of expenses amounting to HK\$240,000 (2002: HK\$240,000) from a company in which a director of the Company has a beneficial interest. The reimbursement represents a share of expenses incurred in respect of the occupation of office premises and general administrative services provided to the related company, and which is determined by reference to the prevailing market rates and the estimated costs incurred by the Group.

## 27. PARTICULARS OF SUBSIDIARIES

Particulars of subsidiaries at 31 March 2003 are as follows:

Name of company	Place of incorporation/ registration	Paid up capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Chi Kee Investment Company Limited	Hong Kong	HK\$500,000 Ordinary shares	100%	–	Property investment
Chivas Godown Company Limited	Hong Kong	HK\$10,000,000 Ordinary shares	100%	–	Godown ownership and operation, and property investment
East Asia (Fujian) Property Development Co. Ltd.	Mainland China	US\$1,619,394 Registered capital	–	100%	Property investment
Fu Hing Property Limited	British Virgin Islands	US\$1 Ordinary share	–	100%	Inactive
Gaylake Limited	Hong Kong	HK\$1,000 Ordinary shares	100%	–	Property investment and property holding
Genlink Development Limited	Hong Kong	HK\$2 Ordinary shares	100%	–	Property investment
On Luen Development Company Limited	Hong Kong	HK\$100,000 Ordinary shares	100%	–	Property investment and investment holding



# Notes to the Financial Statements

For the year ended 31 March 2003

## 27. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ registration	Paid up capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Rich China Development Limited	Hong Kong	HK\$2 Ordinary shares	100%	–	Inactive
Safety Godown (China) Development Company Limited	Hong Kong	HK\$2 Ordinary shares	100%	–	Investment holding
Telerich Investment Limited	Hong Kong	HK\$2 Ordinary shares	100%	–	Inactive

East Asia (Fujian) Property Development Co. Ltd. is a wholly foreign owned enterprise.

All the subsidiaries have no debt securities subsisting at the end of the year or at any time during the year.