

# Notes to the Financial Statements

For the year ended 31st March, 2003

---

## 1. GENERAL

The Company is a public limited company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The principal activities of its subsidiaries and associates are set out in notes 14 and 15 respectively.

## 2. ADOPTION OF 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, which has resulted in the adoption of the following new and revised accounting policies. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the introduction of a statement of changes in equity but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### Foreign Currencies

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

### Cash Flow Statements

In the current period, the Group has adopted SSAP 15 (Revised) “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 and dividends, which were previously under a separate heading, are classified as investing and financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of overseas subsidiaries 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.

### Employee Benefits

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st March each year.

The results of subsidiaries and associates 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.

#### **Negative goodwill**

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary or associate.

Negative goodwill arising on acquisitions on or after 1st January, 2001 is presented as deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate.

#### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as revaluation decrease under that Standard.

# Notes to the Financial Statements

For the year ended 31st March, 2003

---

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **Impairment** (*continued*)

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, unless the relevant asset is carried at a revalued amount under another Standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other Standard.

### **Investments in subsidiaries**

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

### **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**

Hotel and other service income are recognised in the period in which such services are rendered.

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

Sales of investments are recognised when the buyer takes legal title to the investment.

Income from investments is recognised when the Group's right to receive payment is established.

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

### **Investments in securities**

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Investments in securities (continued)

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

#### Property, plant and equipment

Property, plant and equipment other than hotel property are stated at cost less depreciation and any accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment other than hotel property over their estimated useful lives and after taking into account their residual value, using the straight-line method, at the following rates per annum:

Leasehold land	Over the term of lease
Buildings and building improvements	Over the shorter of the term of the leases, or 50 years
Furniture, fixtures, equipment, motor vehicles and others	10% to 33.3%

Hotel property comprises interests in land and buildings and its integral fixed plant which are collectively used in the operation of a hotel and are stated at their open market values on the basis of ongoing periodic professional valuations. Any revaluation increase arising on revaluation of hotel property is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case, the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of hotel property is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that hotel property. On subsequent sale or retirement of a revalued hotel property, the attributable revaluation surplus is transferred to retained profits.

It is the Group's policy to maintain the hotel property in such condition that its residual value is not currently diminished by the passage of time and that any element of depreciation is insignificant. Therefore, no depreciation charge is recognised in respect of its hotel property. The related maintenance and repairs expenditure is charged to the income statement in the year in which it is incurred.

# Notes to the Financial Statements

For the year ended 31st March, 2003

---

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment (continued)

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

### 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 revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

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

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

### Intangible asset

Intangible asset represents the cost of acquisition of a sauna business in the PRC and is amortised on a straight-line basis over its estimated useful lives.

### Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

### 3. SIGNIFICANT ACCOUNTING POLICIES (*CONTINUED*)

#### **Foreign currencies**

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

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

#### **Taxation**

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

#### **Retirement benefit costs**

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

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes, the Group is currently organised into five operating divisions – hotel operation, property rental, securities trading, loan financing and investment holding. Others include assets holding companies and inactive companies. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

2003	Hotel operation HK\$	Property rental HK\$	Securities trading HK\$	Loan financing HK\$	Investment holding HK\$	Others HK\$	Consolidated HK\$
Turnover	11,235,094	6,540,917	23,338,474	34,866,690	1,305,467	-	77,286,642
Other operating income	-	-	-	-	-	-	-
Total revenue	<u>11,235,094</u>	<u>6,540,917</u>	<u>23,338,474</u>	<u>34,866,690</u>	<u>1,305,467</u>	<u>-</u>	<u>77,286,642</u>
Segment result	<u>(6,783,716)</u>	<u>(16,265,251)</u>	<u>(1,600,150)</u>	<u>34,866,574</u>	<u>(12,249,373)</u>	<u>(6,183,219)</u>	<u>(8,215,135)</u>
Finance costs							(5,339,219)
Share of results of associates	-	-	-	58,054,398	1,127,846	-	<u>59,182,244</u>
Profit before taxation							45,627,890
Taxation	-	-	-	(8,848,013)	(15,530)	-	<u>(8,863,543)</u>
Profit before minority interests							36,764,347
Minority interests							<u>1,499,797</u>
Net profit for the year							<u>38,264,144</u>
<b>BALANCE SHEET</b>							
<b>ASSETS</b>							
Segment assets	38,190,869	109,543,616	8,726,417	-	229,251,118	40,631,256	426,343,276
Interests in associates	-	-	-	135,360,573	147,834,711	-	<u>283,195,284</u>
Consolidated total assets							<u>709,538,560</u>
<b>LIABILITIES</b>							
Segment liabilities	2,342,171	4,819,921	2,769,202	36,581	1,972,451	398,004	12,338,330
Borrowings							<u>153,087,178</u>
Consolidated total liabilities							<u>165,425,508</u>

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

### Business segments (continued)

#### OTHER INFORMATION

	Hotel operation HK\$	Property rental HK\$	Securities trading HK\$	Loan financing HK\$	Investment holding HK\$	Others HK\$	Consolidated HK\$
Capital additions	2,545,337	508,620	-	-	458,191	-	3,512,148
Depreciation	80,000	4,329,317	-	-	187,763	1,073,043	5,670,123
Amortisation of intangible asset	-	-	-	-	1,000,000	-	1,000,000
Revaluation decrease on investment properties	-	9,888,702	-	-	-	-	9,888,702
Revaluation decrease on hotel property	6,297,782	-	-	-	-	-	6,297,782
Unrealised loss on investments in securities	-	-	702,855	-	-	-	702,855



# Notes to the Financial Statements

For the year ended 31st March, 2003

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

### Business segments (continued)

2002	Hotel operation HK\$	Property rental HK\$	Securities trading HK\$	Loan financing HK\$	Investment holding HK\$	Others HK\$	Consolidated HK\$
Turnover	10,792,289	7,631,131	1,216,688	3,491,991	556,789	-	23,688,888
Other operating income	-	-	-	79,530	-	-	79,530
Total revenue	<u>10,792,289</u>	<u>7,631,131</u>	<u>1,216,688</u>	<u>3,571,521</u>	<u>556,789</u>	<u>-</u>	<u>23,768,418</u>
Segment result	<u>(1,277,345)</u>	<u>(5,616,907)</u>	<u>(148,541)</u>	<u>2,154,390</u>	<u>(13,695,399)</u>	<u>(2,350,072)</u>	<u>(20,933,874)</u>
Finance costs							(4,910,179)
Share of results of associates	-	-	-	2,022,435	(2,979,713)	-	(957,278)
Loss before taxation							(26,801,331)
Taxation							-
Loss before minority interests							(26,801,331)
Minority interests							1,457,134
Net loss for the year							<u>(25,344,197)</u>
BALANCE SHEET							
ASSETS							
Segment assets	42,244,664	40,718,749	1,959,117	995,414	361,749,715	37,148,860	484,816,519
Interests in associates	-	-	-	168,899,469	185,748,376	-	354,647,845
Consolidated total assets							<u>839,464,364</u>
LIABILITIES							
Segment liabilities	1,290,748	8,874,540	11,882	56,583	841,798	50,557,594	61,633,145
Borrowings							192,778,058
Consolidated total liabilities							<u>254,411,203</u>
OTHER INFORMATION							
Capital additions	2,571,183	1,523,769	-	-	607,432	-	4,702,384
Depreciation	80,000	3,991,078	-	-	173,774	1,460,346	5,705,198
Provision for recoverability of deposit paid	-	-	-	-	3,500,000	-	3,500,000
Revaluation decrease on investment properties	-	460,000	-	-	-	-	460,000
Revaluation decrease on hotel property	2,571,183	-	-	-	-	-	2,571,183
Unrealised loss on investments in securities	-	-	67,600	-	-	-	67,600

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)

### Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC").

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market		Contribution to loss from operations	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Hong Kong	72,189,215	16,057,757	(1,119,156)	(15,867,120)
PRC	5,097,427	7,631,131	(7,095,979)	(5,066,754)
	<u>77,286,642</u>	<u>23,688,888</u>	<u>(8,215,135)</u>	<u>(20,933,874)</u>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Hong Kong	608,212,915	803,049,786	3,053,120	3,178,615
PRC	101,325,645	36,414,578	459,028	1,523,769
	<u>709,538,560</u>	<u>839,464,364</u>	<u>3,512,148</u>	<u>4,702,384</u>

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 5. LOSS FROM OPERATIONS

	2003 HK\$	2002 HK\$
Loss from operations has been arrived at after charging:		
Allowance for doubtful debts	1,026,061	88,850
Auditors' remuneration		
Current year	491,390	484,505
(Over)underprovision in prior years	(25,000)	55,000
Depreciation		
Land, Buildings and building improvements	4,555,703	4,636,100
Furniture, fixtures, equipment, motor vehicles and others		
Owned assets	997,933	979,149
Leased assets	116,487	89,949
	<u>5,670,123</u>	<u>5,705,198</u>
Amortisation of intangible asset included in administrative expenses	1,000,000	–
Exchange loss, net	17,267	–
Loss on disposal of property, plant and equipment	121,742	202,767
Operating lease rentals on land and buildings	4,633,151	4,452,628
Staff costs including directors' remuneration		
Salaries and other benefits	10,348,948	11,263,413
Contribution to retirement benefit plans	427,968	174,167
	<u>10,776,916</u>	<u>11,437,580</u>
Unrealised loss on investments in securities	<u>702,855</u>	<u>67,600</u>
and after crediting:		
Gross rents from investment properties	1,443,490	–
Gross rents from service apartments	5,097,427	7,631,131
Less: Outgoings	<u>(8,073,991)</u>	<u>(8,385,448)</u>
	<u>(1,533,074)</u>	<u>(754,317)</u>
Dividend income from listed investments	307,661	67,739
Income from investment in an intangible asset	<u>612,630</u>	<u>–</u>

## Notes to the Financial Statements

For the year ended 31st March, 2003

### 6. FINANCE COSTS

	2003 HK\$	2002 HK\$
Interest on borrowings wholly repayable within five years:		
Bank loans and overdrafts	4,800,003	4,407,264
Obligations under finance leases	33,898	41,770
Interest on mortgage loans not wholly repayable within five years	<u>505,318</u>	<u>461,145</u>
	<u><u>5,339,219</u></u>	<u><u>4,910,179</u></u>

### 7. DIRECTORS' EMOLUMENTS

	2003 HK\$	2002 HK\$
Fees:		
Executive directors	50,000	50,000
Non-executive directors	80,000	80,000
Independent non-executive directors	20,000	20,000
Other emoluments, salaries and other benefits:		
Executive directors	2,420,347	2,887,321
Non-executive directors	847,648	749,234
Contribution to retirement benefit plans		
Executive directors	24,000	27,000
Non-executive directors	<u>30,000</u>	<u>14,963</u>
Total emoluments	<u><u>3,471,995</u></u>	<u><u>3,828,518</u></u>

The emoluments of the directors are within the following bands:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	13	13
HK\$2,000,001 to HK\$2,500,000	1	–
HK\$2,500,001 to HK\$3,000,000	<u>–</u>	<u>1</u>

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 8. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2002: three) are directors of the Company whose emoluments are disclosed in note 7. The emoluments of the remaining three (2002: two) employees were as follows:

	2003 HK\$	2002 HK\$
Salaries and other emoluments	907,250	584,560
Contribution to retirement benefit plans	<u>36,000</u>	<u>24,000</u>
	<u>943,250</u>	<u>608,560</u>

## 9. TAXATION

The charge for the current year represented share of taxation attributable to associates.

No provision for Hong Kong Profits Tax in respect of the Company and its subsidiaries has been made in the financial statements as the Company and its subsidiaries has no assessable profit or incurred a tax loss for the year.

Details of the unprovided deferred taxation for the year are set out in note 28.

## 10. EARNINGS (LOSS) PER SHARE

### (a) Basic earnings (loss) per share

The calculation of basic earnings (loss) per share is based on the Group's profit attributable to shareholders of HK\$38,264,144 (2002: loss of HK\$25,344,197) and on the 488,842,675 (2002: 488,842,675) shares in issue during the year.

### (b) Diluted earnings (loss) per share

The computation of diluted earnings (loss) per share has not assumed the exercise of the outstanding share options of the Company since their exercise prices were greater than the average market price of shares for each of the two years ended 31 March, 2003 and 2002.

## Notes to the Financial Statements

For the year ended 31st March, 2003

### 11. INVESTMENT PROPERTIES

	<b>THE GROUP</b> <b>HK\$</b>
VALUATION	
At 1st April, 2002	4,260,000
Additions	32,208,702
Revaluation decrease	<u>(9,888,702)</u>
At 31st March, 2003	<u><u>26,580,000</u></u>

The carrying amount of investment properties comprises land in Hong Kong as follows:

	<b>THE GROUP</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$</b>	<b>HK\$</b>
Long lease	23,000,000	–
Medium-term lease	<u>3,580,000</u>	<u>4,260,000</u>
	<u><u>26,580,000</u></u>	<u><u>4,260,000</u></u>

All investment properties of the Group were revalued at 31st March, 2003 by Lanbase Surveyors Limited, an independent firm of professional valuers, on an open market value basis. The revaluation decrease amounting to HK\$9,888,702 has been charged to the income statement.

Investment properties with carrying value of HK\$23,900,000 (2002: HK\$Nil) are rented out under operating leases.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and building improvements in Hong Kong HK\$	Buildings in PRC HK\$	Hotel property in Hong Kong HK\$	Furniture, fixtures, equipment, and motor vehicles and others HK\$	Total HK\$
<b>THE GROUP</b>					
<b>COST OR VALUATION</b>					
At 1st April, 2002	68,783,540	79,196,180	40,338,778	10,630,232	198,948,730
Additions	–	41,063	2,545,337	925,748	3,512,148
Disposals	–	–	–	(669,673)	(669,673)
Revaluation decrease	–	–	(6,297,782)	–	(6,297,782)
At 31st March, 2003	68,783,540	79,237,243	36,586,333	10,886,307	195,493,423
Comprising:					
At cost	68,783,540	79,237,243	–	10,886,307	158,907,090
At valuation 2003	–	–	36,586,333	–	36,586,333
	68,783,540	79,237,243	36,586,333	10,886,307	195,493,423
<b>DEPRECIATION</b>					
At 1st April, 2002	10,355,078	15,986,558	–	4,425,690	30,767,326
Charge for the year	1,410,013	3,145,690	–	1,114,420	5,670,123
Eliminated on disposals	–	–	–	(547,931)	(547,931)
At 31st March, 2003	11,765,091	19,132,248	–	4,992,179	35,889,518
<b>NET BOOK VALUES</b>					
At 31st March, 2003	57,018,449	60,104,995	36,586,333	5,894,128	159,603,905
At 31st March, 2002	58,428,462	63,209,622	40,338,778	6,204,542	168,181,404

The properties located in Hong Kong are held under medium-term lease.

A major portion of the leasehold land and buildings in Hong Kong is registered in the name of a company controlled by Mr. Deacon Te-ken Chiu and his family (“the Chiu Family”) as trustee for the Group.

## Notes to the Financial Statements

For the year ended 31st March, 2003

### 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Hotel property in Hong Kong was valued at 31st March, 2003 as an ongoing hotel operation making reference to the revenue generated from the hotel operation on an open market value basis by Lanbase Surveyors Limited, an independent firm of professional valuers. The revaluation decrease amounting to HK\$6,297,782 (2002: HK\$2,571,183) has been charged to consolidated income statement.

If the hotel property had not been revalued, it would have been included in the financial statements at historical cost of HK\$47,570,358 (2002: HK\$45,025,021).

	<b>Furniture, fixtures, equipment, motor vehicles and others</b>
	HK\$
<b>THE COMPANY</b>	
<b>COST</b>	
At 1st April, 2002	2,155,323
Additions	458,191
Disposals	<u>(487,787)</u>
At 31st March, 2003	<u>2,125,727</u>
<b>DEPRECIATION</b>	
At 1st April, 2002	1,091,883
Charge for the year	187,763
Eliminated on disposals	<u>(460,955)</u>
At 31st March, 2003	<u>818,691</u>
<b>NET BOOK VALUES</b>	
At 31st March, 2003	<u><u>1,307,036</u></u>
At 31st March, 2002	<u><u>1,063,440</u></u>

During the year, a motor vehicle of HK\$379,380 was purchased by the Group and the Company under a finance lease.

The net book value of the Group's and the Company's furniture, fixtures, equipment, motor vehicles and others, includes an amount of HK\$1,150,951 (2002: HK\$858,558) in respect of assets held under finance leases.



# Notes to the Financial Statements

For the year ended 31st March, 2003

## 13. INTANGIBLE ASSET

	THE GROUP AND THE COMPANY HK\$
GROSS AMOUNT	
Arising on acquisition of a business operation and at 31st March, 2003	11,312,400
AMORTISATION	
Charge for the year and at 31st March, 2003	<u>1,000,000</u>
CARRYING VALUE	
At 31st March, 2003	<u><u>10,312,400</u></u>

*Note:* The amount arose from the acquisition of a sauna business operating in He Fei City, the PRC. Under an agreement signed with a PRC business partner on 23rd September, 2002, the Group transferred the right of business operation to the PRC business partner for a period of four years commencing from 1st October, 2002 at an annual fee of RMB1,300,000. The intangible asset is amortised over a period of 6 years.

## 14. INTERESTS IN SUBSIDIARIES

	2003 HK\$	2002 HK\$
Unlisted shares, at cost	89,209,240	89,209,236
Amounts due from subsidiaries	307,452,620	372,692,420
Less: Impairment loss recognised	<u>(45,919,494)</u>	<u>(45,919,494)</u>
	<u><u>350,742,366</u></u>	<u><u>415,982,162</u></u>

The amounts due from subsidiaries are unsecured and in the opinion of directors, the amount will not be demanded for repayment within the next twelve months. Accordingly, the amount is classified as non-current assets. The amounts bear interest at the following rates per annum:

	2003 HK\$	2002 HK\$
Hong Kong Prime Rate minus 4%	50,479,774	44,871,743
Hong Kong Prime Rate minus 3%	16,981,995	–
Hong Kong Prime Rate minus 2%	13,208,867	–
Hong Kong Prime Rate minus 1%	–	127,788,800
Hong Kong Prime Rate plus 1%	–	520,275
7% (note)	17,342,659	8,366,188
Non-interest bearing	<u>209,439,325</u>	<u>191,145,414</u>
	<u><u>307,452,620</u></u>	<u><u>372,692,420</u></u>

*Note:* The interest was charged upto 31st December, 2002 and since then the loan was non-interest bearing.

## Notes to the Financial Statements

For the year ended 31st March, 2003

### 14. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars regarding the subsidiaries at 31st March, 2003 are as follows:

Name of subsidiary	Issued ordinary share capital		Proportion of nominal value of issued ordinary share capital		Principal activities
	Number of shares	Par value per share	Directly held	Indirectly held	
Alabama Investment Company Limited	900	HK\$10	97.8	–	Hotel operation
Cankon Properties Limited	2	HK\$1	100	–	Property holding
Far East Communication Technology Limited	2	HK\$1	100	–	Investment holding
Faubert Investment Limited	2	HK\$1	100	–	Property investment
Garmelo Secretarial Limited	2	HK\$1	100	–	Provision of company secretarial services to group companies
Happiways Construction Limited	2	HK\$10	100	–	Inactive
Lai Chi Kok Amusement Park Company, Limited	2,520,000	HK\$10	100	–	Property holding
Long Challenge Limited	10,000	HK\$1	100	–	Investment holding and property investment
Neochem Development Limited	100	HK\$1	100	–	Inactive
Rex Entertainment Limited	1,000	HK\$100	100	–	Property holding
Ricci Hall Investment Limited	1	US\$1	100	–	Inactive
Sintex Holdings Limited *	1	US\$1	100	–	Investment holding
Chartersend Limited	2	HK\$1	–	100	Property investment
Jones Town Limited	2	HK\$1	–	100	Property investment
Oneyon Limited	2	HK\$1	–	100	Investment holding
Timing Mark Development Limited	2	HK\$1	–	100	Inactive

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 14. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Issued ordinary share capital		Proportion of nominal value of issued ordinary share capital		Principal activities
	Number of shares	Par value per share	Directly held	Indirectly held	
Yuk Sue Investment Limited	2	HK\$1	–	100	Securities trading and investment
Tradeland Investments Limited	250,000	HK\$1	–	100	Investment holding
Beijing Hai Lian Property Management Co., Ltd	–	RMB 25,115,180#	–	90	Property investment and service apartments operation
Jenago Limited	2	HK\$1	100	–	Property investment
Superlight Limited	2	HK\$1	100	–	Investment holding
Far East Global Entertainment Limited	2	HK\$1	–	100	Inactive

# Registered capital of a sino-foreign equity joint venture

\* The shareholding in this subsidiary has been pledged to a banking for banking facilities granted to the Company.

All these subsidiaries are incorporated and operate in Hong Kong except Ricci Hall Investment Limited and Sintex Holdings Limited which are incorporated in the British Virgin Islands and operate in Hong Kong whereas Beijing Hai Lian Property Management Co., Ltd is registered and operates in PRC.

None of the subsidiaries had any debt securities outstanding at the end of the year.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 15. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Unlisted shares, at cost	–	–	212,578,511	212,578,509
Share of net assets	208,729,666	198,889,756	–	–
Discount on acquisition of an associate	(11,209,752)	(11,209,752)	–	–
Less: Impairment loss recognised	–	–	(55,000,000)	(27,109,224)
Elimination of interest charged by Group	(2,501,841)	(30,099,268)	–	–
	<u>195,018,073</u>	<u>157,580,736</u>	<u>157,578,511</u>	<u>185,469,285</u>
Loans to an associate	86,691,255	197,067,109	–	–
Amounts due from associates	<u>1,485,956</u>	<u>–</u>	<u>1,447,733</u>	<u>–</u>
	<u><u>283,195,284</u></u>	<u><u>354,647,845</u></u>	<u><u>159,026,244</u></u>	<u><u>185,469,285</u></u>

The loan to an associate is unsecured, bears interest at Hong Kong Prime Rate and the repayment of which is subordinated in favour of a bank to secure banking facilities granted to the Company. In the opinion of the directors, the amount will not be demanded for repayment within the next twelve months. Accordingly, the amount is classified as non-current assets.

The amounts due from associates are unsecured, non-interest bearing and will not be demanded for repayment within the next twelve months. Accordingly, the amounts are classified as non-current assets.

Particulars regarding the associates at 31st March, 2003 are as follows:

Name of associate	Effective percentage of issued share capital held by the Group		Place of incorporation/operation	Principal activities
	Non-cumulative 5% preference shares	Ordinary shares		
Bolan Holdings N.V. #	45	45	Netherlands Antilles/Australia	Investment holding, operation of hotel and amusement park
Central More Limited #	–	50	Hong Kong	Property development
Star River Investment Limited #	–	50	Hong Kong	Property development
Polyspring Limited	–	50	Hong Kong	Property investment
Nob Hill Management Limited #	–	50	Hong Kong	Property management

# In order to avoid unreasonable delay in the production of the Group's consolidated financial statements, the financial statements of these associates which are prepared to 31st December are used.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 15. INTERESTS IN ASSOCIATES (CONTINUED)

The following details have been extracted from the audited financial statements of the Group's principal associates.

	Bolan Holdings N.V.		Central More Limited	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Operating results:				
Turnover	<u>7,565,345</u>	<u>8,415,404</u>	<u>1,996,906,168</u>	<u>–</u>
Profit (loss) from ordinary activities before taxation	<u>2,301,242</u>	<u>(6,621,587)</u>	<u>115,858,796</u>	<u>4,044,872</u>
Profit (loss) from ordinary activities before taxation attributable to the Group	<u>1,035,559</u>	<u>(2,979,714)</u>	<u>57,929,398</u>	<u>2,022,436</u>
Financial position:				
Non-current assets	413,472,891	499,363,293	275,143,354	178,899,500
Current assets	2,284,784	1,988,033	499,095,384	2,252,767,232
Current liabilities	(5,237,700)	(6,247,644)	(548,868,233)	(2,230,691,828)
Non-current liabilities	(60,486,878)	(57,418,951)	(123,259,941)	(197,067,109)
Net assets	<u>350,033,097</u>	<u>437,684,731</u>	<u>102,110,564</u>	<u>3,907,795</u>
Net assets attributable to the Group	<u>157,514,894</u>	<u>196,958,129</u>	<u>51,055,282</u>	<u>1,953,898</u>

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 16. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
<b>THE GROUP</b>						
Equity securities:						
Listed – Hong Kong	–	–	14,322,968	1,949,240	14,322,968	1,949,240
Unlisted – Hong Kong	–	–	1,030,524	1,030,524	1,030,524	1,030,524
Unlisted – overseas	180,411,545	180,411,545	–	–	180,411,545	180,411,545
	<u>180,411,545</u>	<u>180,411,545</u>	<u>15,353,492</u>	<u>2,979,764</u>	<u>195,765,037</u>	<u>183,391,309</u>
Market values						
of listed securities	<u>–</u>	<u>–</u>	<u>14,322,968</u>	<u>1,949,240</u>	<u>14,322,968</u>	<u>1,949,240</u>
Carrying amount						
analysed for						
reporting purposes						
as:						
Non-current	180,411,545	180,411,545	3,679,500	1,622,400	184,091,045	182,033,945
Current	–	–	11,673,992	1,357,364	11,673,992	1,357,364
	<u>180,411,545</u>	<u>180,411,545</u>	<u>15,353,492</u>	<u>2,979,764</u>	<u>195,765,037</u>	<u>183,391,309</u>
<b>THE COMPANY</b>						
Non-current equity						
securities:						
Unlisted – overseas	157,026,351	157,026,351	–	–	157,026,351	157,026,351
	<u>157,026,351</u>	<u>157,026,351</u>	<u>–</u>	<u>–</u>	<u>157,026,351</u>	<u>157,026,351</u>
Current equity						
securities:						
Listed – Hong Kong	–	–	1,931,550	–	1,931,550	–
Unlisted – Hong Kong	–	–	1,030,524	1,030,524	1,030,524	1,030,524
	<u>–</u>	<u>–</u>	<u>2,962,074</u>	<u>1,030,524</u>	<u>2,962,074</u>	<u>1,030,524</u>
Market values of						
listed securities	<u>–</u>	<u>–</u>	<u>1,931,550</u>	<u>–</u>	<u>1,931,550</u>	<u>–</u>

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 16. INVESTMENTS IN SECURITIES (CONTINUED)

Particulars regarding the non-current investments in securities are as follows:

Name of company	Effective percentage of issued ordinary share capital held by the Group	Place of incorporation	Principal activities
Warwick Holdings S.A.	16.09	Luxemburg	Investment holding, hotel investment and operation
Far East Consortium International Limited	1.35	Cayman Islands (Listed in Hong Kong)	Investment holding and property investment

The Group's interest in a former overseas associate, Warwick Holdings S.A., was reclassified as investments securities, held for long-term purposes in early January 1988 after the Group disposed part of its interest therein and the Group was no longer in a position to exercise significant influence over the investee. The investment is stated at its carrying value at the date of reclassification, which comprises its cost of acquisition plus the Group's share of its post-acquisition profits accounted for using the equity method up to that date, as reduced by any impairment loss.

The Chiu Family together with the related trusts are controlling shareholders of Warwick Holdings S.A. and Far East Consortium International Limited.

## 17. INVENTORIES

	THE GROUP	
	2003 HK\$	2002 HK\$
Food and beverage and other consumable	<u>467,438</u>	<u>467,856</u>

Food, beverage and other consumable amounted to HK\$225,552 (2002: HK\$208,798) are stated at net realisable value.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 18. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group generally allows an average credit period of not more than 30 days to its customers.

The following is an aged analysis of trade debtors at the balance sheet date:

	THE GROUP	
	2003	2002
	HK\$	HK\$
0 - 30 days	154,677	253,774
31 - 60 days	124,378	103,553
Over 60 days	61,856	156,317
	<u>340,911</u>	<u>513,644</u>
Other deposits and prepayments	3,486,435	2,969,650
	<u>3,827,346</u>	<u>3,483,294</u>

## 19. CREDITORS, ACCRUALS AND OTHER PAYABLES

The following is an aged analysis of trade creditors at the balance sheet date:

	THE GROUP	
	2003	2002
	HK\$	HK\$
0 - 30 days	287,435	365,111
31 - 60 days	373,756	601,460
Over 60 days	1,208,175	1,364,244
	<u>1,869,366</u>	<u>2,330,815</u>
Accruals and other payables	8,878,482	4,062,596
	<u>10,747,848</u>	<u>6,393,411</u>



# Notes to the Financial Statements

For the year ended 31st March, 2003

## 20. AMOUNT DUE TO AN ASSOCIATE

Amount due to an associate was unsecured, non-interest bearing and has been fully repaid during the year.

## 21. AMOUNTS DUE TO DIRECTORS

Amounts due to directors of the Group and the Company are unsecured, non-interest bearing and have no fixed repayment terms.

## 22. AMOUNT DUE TO A MINORITY SHAREHOLDER

Amount due to a minority shareholder is unsecured, non-interest bearing and has no fixed repayment term.

## 23. SECURED BANK LOANS

	THE GROUP		THE COMPANY	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
The secured bank loans are repayable as follows:				
Within 1 year	76,188,884	58,481,128	72,537,865	57,602,743
More than 1 year but not exceeding 2 years	54,814,748	73,440,040	51,071,434	72,534,887
More than 2 years but not exceeding 5 years	14,134,091	56,285,203	2,321,562	53,398,516
Over 5 years	7,318,591	4,059,512	–	–
	<u>152,456,314</u>	<u>192,265,883</u>	<u>125,930,861</u>	<u>183,536,146</u>
Less: Amount due within one year shown under current liabilities	<u>(76,188,884)</u>	<u>(58,481,128)</u>	<u>(72,537,865)</u>	<u>(57,602,743)</u>
	<u>76,267,430</u>	<u>133,784,755</u>	<u>53,392,996</u>	<u>125,933,403</u>

## Notes to the Financial Statements

For the year ended 31st March, 2003

### 24. OBLIGATIONS UNDER FINANCE LEASES

#### THE GROUP AND THE COMPANY

	Minimum lease payments		Present value of minimum lease payments	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Amounts payable under finance leases:				
Within one year	282,504	225,040	252,891	197,460
In the second to fifth years inclusive	431,052	365,792	377,973	314,715
	<u>713,556</u>	<u>590,832</u>		
Less: Future finance charges	<u>(82,692)</u>	<u>(78,657)</u>		
Present value of lease obligations	<u>630,864</u>	<u>512,175</u>	630,864	512,175
Less: Amount due within one year shown under current liabilities			<u>(252,891)</u>	<u>(197,460)</u>
			<u>377,973</u>	<u>314,715</u>

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 4 to 5 years. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

### 25. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured and non-interest bearing. The amounts will not be demanded for repayment within the next twelve months. Accordingly, the amounts are classified as non-current liabilities.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 26. SHARE CAPITAL

	Authorised 2003 & 2002 HK\$	Issued and fully paid 2003 & 2002 HK\$
Ordinary shares of HK\$1 each	<u>750,000,000</u>	<u>488,842,675</u>

## 27. RESERVES

Included in the deficit of the Group is the Group's share of post-acquisition reserves of its associates, as follows:

	Revaluation reserve HK\$	Exchange reserve HK\$	Deficit HK\$	Total HK\$
At 1st April, 2001	39,780,000	5,863,243	(71,050,931)	(25,407,688)
Share of losses for the year	–	–	(957,278)	(957,278)
Exchange adjustments	–	1,466,458	–	1,466,458
At 31st March, 2002	39,780,000	7,329,701	(72,008,209)	(24,898,508)
Share of profits for the year	–	–	50,318,701	50,318,701
Exchange adjustments	–	(1,868,794)	–	(1,868,794)
Share of revaluation reserve	(38,610,000)	–	–	(38,610,000)
At 31st March, 2003	<u>1,170,000</u>	<u>5,460,907</u>	<u>(21,689,508)</u>	<u>(15,058,601)</u>

	Share premium HK\$	Capital reserve HK\$	Capital redemption reserve HK\$	Deficit HK\$	Total HK\$
<b>THE COMPANY</b>					
At 1st April, 2001	92,805,386	21,223,231	28,990,000	(24,891,675)	118,126,942
Net loss for the year	–	–	–	(16,114,155)	(16,114,155)
At 31st March, 2002	92,805,386	21,223,231	28,990,000	(41,005,830)	102,012,787
Net loss for the year	–	–	–	(37,583,597)	(37,583,597)
At 31st March, 2003	<u>92,805,386</u>	<u>21,223,231</u>	<u>28,990,000</u>	<u>(78,589,427)</u>	<u>64,429,190</u>

The Company does not have any reserve available for distribution to shareholders as at 31st March, 2003 and 2002.

## Notes to the Financial Statements

For the year ended 31st March, 2003

### 28. UNPROVIDED DEFERRED TAXATION

At the balance sheet date, the components of the unprovided deferred tax (liabilities) assets are as follows:

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Tax effect of timing difference because of:				
Excess of tax allowances over depreciation	(1,144,059)	(962,020)	(203,832)	(65,028)
Unutilised tax losses	<u>16,770,332</u>	<u>7,358,802</u>	<u>3,973,043</u>	<u>2,717,515</u>
	<u>15,626,273</u>	<u>6,396,782</u>	<u>3,769,211</u>	<u>2,652,487</u>

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

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Tax effect of timing difference because of:				
Excess (shortfall) of tax allowances over depreciation	182,039	264,474	138,804	(39,452)
Tax losses arising	<u>(9,411,530)</u>	<u>(389,723)</u>	<u>(1,255,528)</u>	<u>(524,567)</u>
	<u>(9,229,491)</u>	<u>(125,249)</u>	<u>(1,116,724)</u>	<u>(564,019)</u>

The net deferred tax asset has not been recognised in the financial statements as it is not certain that the asset will be realised in the foreseeable future.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 29. RELATED PARTY TRANSACTIONS

- (a) At the balance sheet date, the outstanding balances due from (to) companies controlled by the directors are as follows:

Name of company	Name of directors related	THE GROUP			THE COMPANY		
		2003 HK\$	2002 HK\$	Maximum balance outstanding during the year HK\$	2003 HK\$	2002 HK\$	Maximum balance outstanding during the year HK\$
Far East Theatres Management Ltd.	Deacon Te-ken Chiu	216,481	567,871	567,871	216,482	567,871	567,871
	Chiu Ju Ching-lan						
	Dick Tat-sang Chiu						
	David Tat-cheong Chiu						
Far East Technology International Limited	Deacon Te-ken Chiu	804,431	804,431	804,431	420,716	420,716	420,716
	David Tat-cheong Chiu						
	Margaret Chiu						
	Dennis Tat-shing Chiu						
	Daniel Tat-jung Chiu						
	Derek Chiu, Desmond Chiu Duncan Chiu						
		<u>1,020,912</u>	<u>1,372,302</u>		<u>637,198</u>	<u>988,587</u>	
Great Eastern Advertising & Publishing Co., Ltd	Derek Chiu	(28,770)	(32,250)		(28,770)	(32,250)	
	Janny Lin-chun Leung						
		<u>992,142</u>	<u>1,340,052</u>		<u>608,428</u>	<u>956,337</u>	

All the above balances are unsecured, non-interest bearing and repayable on demand.

- (b) During the year, the Group acquired 10,000,000 shares in Far East Consortium International Limited (“FECIL”) at a consideration of HK\$2,750,000 from Far East Technology International Limited (“FETIL”) through the Stock Exchange. Mr. Deacon Te-ken Chiu is a controlling shareholder in both FECIL and FETIL.
- (c) During the year, the Group received interest on loan advance to an associate amounted to HK\$34,866,690 (2002: HK\$3,491,991). Details of the outstanding balances with the associates are disclosed in notes 15 and 20.

## 30. PLEDGE OF ASSETS

### THE GROUP

At the balance sheet date, the Group had bank loans and overdraft facilities amounting to HK\$159,456,314 (2002: HK\$199,265,883), of which HK\$152,456,314 (2002: HK\$192,265,883) were utilised. These facilities were secured by legal mortgages over the Group's properties and deposits with an aggregate net book value of HK\$74,860,931 (2002: HK\$57,449,788) and HK\$2,161,807 (2002: HK\$2,136,010) respectively. A floating charge is applied on all assets, properties and undertakings both present and future including the uncalled capital of the Company.

### THE COMPANY

At the balance sheet date, the Company pledged its bank deposits of HK\$2,042,265 (2002: HK\$2,017,372) to secure banking facilities granted to the Company.

## 31. CONTINGENT LIABILITIES

At the balance sheet date, the Company had issued letters of guarantee to a bank to secure banking facilities granted to a subsidiary amounted to HK\$20,000,000 (2002: HK\$Nil).

The amount was fully utilised at the balance sheet date.

## 32. COMMITMENTS

### (a) Operating lease commitments

#### *The Group as lessee*

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2003 HK\$	2002 HK\$
Within one year	4,354,656	4,651,671
In the second to fifth year inclusive	18,422,243	17,955,596
Over five years	100,063,148	104,901,979
	<u>122,840,047</u>	<u>127,509,246</u>

Operating lease payments represent rentals payable by the Group for certain of its properties. Leases are negotiated for 2 to 22 years with fixed rentals over the lease terms.

# Notes to the Financial Statements

For the year ended 31st March, 2003

## 32. COMMITMENTS (CONTINUED)

### (a) Operating lease commitments (continued)

#### *The Group as lessor*

The rental income earned from service apartments and investment properties during the year was HK\$5,097,427 (2002: HK\$7,631,131) and HK\$1,443,364 (2002: HK\$Nil) respectively. The properties are expected to generate an average rental yield of 10% per annum.

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

	THE GROUP	
	2003	2002
	HK\$	HK\$
Within one year	2,686,075	1,687,000
In the second to fifth year inclusive	2,056,849	67,000
	<u>4,742,924</u>	<u>1,754,000</u>

### (b) Capital commitments

At the balance sheet date, the Group had contracted capital expenditure not provided for in the financial statements in respect of the following:

	THE GROUP	
	2003	2002
	HK\$	HK\$
Acquisition of property, plant and equipment	<u>1,065,233</u>	<u>2,357,436</u>

### (c) Other commitments

At 31st March, 2003, the Group had contracted with an independent consultancy company for the project of Kau Wah Keng Old Village, Lai Chi Kok, Kowloon and the outstanding commitment for procurement fees amounted to HK\$28,000,000 (2002: HK\$28,000,000).

## Notes to the Financial Statements

For the year ended 31st March, 2003

### 33. SHARE OPTION SCHEME

In accordance with the Company's share option scheme (the "Scheme"), which was adopted pursuant to an ordinary resolution passed on 22nd September, 1995, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

A summary of the movements of options during the year is as follows:

				Number of share options			
Name of director	Exercisable period	Date of grant	Exercise price HK\$	Outstanding	Granted	Exercised	Outstanding
				at 1.4.2002	during the year	during the year	at 31.3.2003
Mr. Derek Chiu	October 1995 to September 2005	16/10/1995	1.44	590,000	-	-	590,000
	September 1997 to August 2007	09/09/1997	3.01	1,000,000	-	-	1,000,000
Mr. Deacon Te-ken Chiu	November 1995 to October 2005	15/11/1995	1.42	5,000,000	-	-	5,000,000
Madam Chiu Ju Ching-lan	April 1996 to March 2006	11/04/1996	1.60	4,000,000	-	-	4,000,000
Mr. Sung-ki Tang	April 1996 to March 2006	11/04/1996	1.60	150,000	-	-	150,000
	January 2000 to December 2009	29/01/2000	1.00	6,000,000	-	-	6,000,000
Ms. Margaret Chiu	November 1997 to October 2007	19/11/1997	1.74	7,000,000	-	-	7,000,000
				Number of share options			
Name of director	Exercisable period	Date of grant	Exercise price HK\$	Outstanding	Granted	Exercised	Outstanding
				at 1.4.2001	during the year	during the year	at 31.3.2002
Mr. Derek Chiu	October 1995 to September 2005	16/10/1995	1.44	590,000	-	-	590,000
	September 1997 to August 2007	09/09/1997	3.01	1,000,000	-	-	1,000,000
Mr. Deacon Te-ken Chiu	November 1995 to October 2005	15/11/1995	1.42	5,000,000	-	-	5,000,000
Madam Chiu Ju Ching-lan	April 1996 to March 2006	11/04/1996	1.60	4,000,000	-	-	4,000,000
Mr. Sung-ki Tang	April 1996 to March 2006	11/04/1996	1.60	150,000	-	-	150,000
	January 2000 to December 2009	29/01/2000	1.00	6,000,000	-	-	6,000,000
Ms. Margaret Chiu	November 1997 to October 2007	19/11/1997	1.74	7,000,000	-	-	7,000,000



# Notes to the Financial Statements

For the year ended 31st March, 2003

---

## 33. SHARE OPTION SCHEME (CONTINUED)

### Summary of the Scheme

- (a) The purpose of the Scheme is to motivate employees of the Company or any subsidiary and to allow them to participate in the growth of the Company.
- (b) The directors may, at their discretion, invite employees of the Group, including executive directors of any member of the Group, to take up options at HK\$10.00 per option to subscribe for shares at a price calculated in accordance with paragraph mentioned below.
- (c) The maximum number of shares in respect of which options may be granted (together with shares issued pursuant to options exercised and shares in respect of which any option remains outstanding) under the Scheme will not exceed 10% of the issued share capital of the Company (excluding any shares issued pursuant to the Scheme) from time to time.
- (d) No option may be granted to any employee which if exercised in full would result in such employee becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued and issuable to him or her under the Scheme, exceeding 25% of the aggregate number of shares for the time being issued and issuable under the Scheme.
- (e) An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined by the Board and notified to each grantee and in any event such period of time not exceeding a period of 10 years which shall commence immediately after the date on which the option is accepted in accordance with the Scheme and shall expire on the last day of such period.
- (f) The Scheme will remain in force for a period of 10 years commencing on 22nd September, 1995 being the date on which it was adopted by resolution of the Company in general meeting.

The directors noted that an announcement was issued by the Stock Exchange on 23rd August, 2001 to introduce certain amendments to Chapter 17 (Equity Securities – Share Schemes) of The Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and that such amendments became effective on 1st September, 2001.

Prior to 1st September, 2001, the exercise price is determined by the directors of the Company at a price not less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of offer of the options or the nominal value of the shares, whichever is the higher. With effect from 1st September, 2001, the exercise price is determined by the directors of the Company, and will not be less than the higher of the closing price of the Company’s shares on the date of grant, and the average closing prices of the shares for the five business days immediately preceding the date of grant.

### 33. SHARE OPTION SCHEME (CONTINUED)

As the existing Scheme no longer complies with the amendment rules in the Listing Rules governing share schemes, no further option can be granted under the Scheme from 1st September, 2001 unless the grant complies with the amended Chapter 17 of the Listing Rules. Nevertheless, options previously granted under the Scheme will continue to be exercisable in accordance with the Scheme.

### 34. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

According to the relevant laws and regulations in the PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.