

Notes to the Financial Statements

For the year ended 31 March 2004

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, securities investment and trading, and the operation of public godowns. The principal activities of its subsidiaries are set out in note 28.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Financial Reporting Standards are inclusive of Statements of Standard Accounting Practice ("SSAP"s) and Interpretations approved by the Hong Kong Society of Accountants. In the current year, the Group has adopted, for the first time, SSAP 12 (Revised) "Income taxes".

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts have been restated accordingly.

As a result of this change in accounting policy, the Group's retained profits at 1 April 2002 has been decreased by HK\$4,024,000 and the Group's profit for the year ended 31 March 2003 has been increased by HK\$871,000. The effect on the results for the current year is not significant.

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.

Notes to the Financial Statements

For the year ended 31 March 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in subsidiaries

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

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.

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 valuation 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.

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For the year ended 31 March 2004

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation, amortisation and any identified impairment loss.

Depreciation and amortisation are 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.

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. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, 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.

Notes to the Financial Statements

For the year ended 31 March 2004

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 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

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefit costs

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

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4. SEGMENT INFORMATION

Business segments

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

Segment information about these businesses is prescribed below.

For the year ended 31 March 2004

	Godown operations HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover				
External income	27,660	55,000	–	82,660
Inter-segment income	–	5,676	(5,676)	–
Total	27,660	60,676	(5,676)	82,660
Inter-segment income is charged at prevailing market rates.				
Segment result	12,230	39,273	–	51,503
Bank interest income				242
Dividend income from listed investments				996
Unrealised holding gain on listed trading securities				4,492
Gain on disposal of listed trading securities				4,731
Unallocated corporate expenses				(5,594)
Profit from operations				56,370
Finance costs				(769)
Profit before taxation				55,601
Taxation				(5,535)
Profit for the year				50,066

Notes to the Financial Statements

For the year ended 31 March 2004

4. SEGMENT INFORMATION (Continued)

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i> <i>(restated)</i>
Assets			
Segment assets	44,208	836,892	881,100
Unallocated corporate assets			80,295
Consolidated total assets			<u>961,395</u>
Liabilities			
Segment liabilities	13,517	22,165	35,682
Unallocated corporate liabilities			39,632
Consolidated total liabilities			<u>75,314</u>
	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Other information			
Capital expenditure	1,560	372	1,932
Depreciation and amortisation	3,124	718	3,842
Gain on disposal of property, plant and equipment	30	—	30

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For the year ended 31 March 2004

4. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2003

	Godown operations HK\$'000	Property investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000 (restated)
Turnover				
External income	26,958	57,992	—	84,950
Inter-segment income	—	5,676	(5,676)	—
Total	26,958	63,668	(5,676)	84,950

Inter-segment income is charged at prevailing market rates.

Segment result	10,627	45,336	—	55,963
Bank interest income				679
Dividend income from listed investments				1,877
Unrealised holding gain on listed trading securities				153
Unallocated corporate expenses				(5,471)
Profit from operations				53,201
Finance costs				(2,392)
Profit before taxation				50,809
Taxation				(5,189)
Profit for the year				45,620

	Godown operations HK\$'000	Property investment HK\$'000	Consolidated HK\$'000 (restated)
Assets			
Segment assets	52,002	808,737	860,739
Unallocated corporate assets			62,284
Consolidated total assets			923,023
Liabilities			
Segment liabilities	16,739	24,944	41,683
Unallocated corporate liabilities			72,587
Consolidated total liabilities			114,270

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For the year ended 31 March 2004

4. SEGMENT INFORMATION (Continued)

	Godown operations HK\$'000	Property investment HK\$'000	Consolidated HK\$'000
Other information			
Capital expenditure	1,617	1,468	3,085
Depreciation and amortisation	3,667	451	4,118
Impairment loss on property, plant and equipment	300	—	300

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. OTHER OPERATING INCOME

Included in other operating income is as follows:

	2004 HK\$'000	2003 HK\$'000
Bank interest income	242	679
Dividend income from listed investments	996	1,877
Unrealised holding gain on listed trading securities	4,492	153
Gain on disposal of listed trading securities	4,731	—
Gain on disposal of property, plant and equipment	30	—

6. PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
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Profit from operations has been arrived at after charging:

Auditors' remuneration	450	450
Loss on disposal of unlisted other securities	—	35
Impairment loss on property, plant and equipment	—	300
Provision for legal claim and professional costs	4,806	200

and after crediting:

Gross rental income from investment properties	55,000	57,992
Less: outgoings	(3,573)	(4,699)
Net rental income	51,427	53,293
Write-back of provision for long service payments	—	3,000

Notes to the Financial Statements

For the year ended 31 March 2004

7. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on borrowings wholly repayable within five years:		
Bank	724	2,268
Others	45	124
	<u>769</u>	<u>2,392</u>

8. DIRECTORS' EMOLUMENTS

	2004 HK\$'000	2003 HK\$'000
Directors' fees:		
Executive	60	45
Non-executive	40	40
Independent non-executive	145	140
Other emoluments – Executive directors:		
Salaries and other emoluments	3,289	8,489
Retirement benefits scheme contributions	24	24
Total emoluments	<u>3,558</u>	<u>8,738</u>

The emoluments of directors were within the following bands:

	Number of directors	
	2004	2003
Nil to HK\$1,000,000	5	4
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$2,000,001 to HK\$2,500,000	1	–
HK\$7,000,001 to HK\$7,500,000	–	1

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2003: two) were executive directors of the Company whose emoluments are included in note 8 above. The emoluments of the remaining three (2003: three) individuals were as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and other benefits	1,622	1,776
Retirement benefits scheme contributions	34	36
	<u>1,656</u>	<u>1,812</u>

The aggregate emoluments for each of the above-mentioned three (2003: three) employees during the year were within the HK\$1,000,000 band.

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For the year ended 31 March 2004

10. TAXATION

	2004 HK\$'000	2003 HK\$'000 (restated)
The charge comprises:		
Hong Kong Profits Tax		
Current year	4,526	1,965
Overprovision in prior years	(449)	(105)
	<u>4,077</u>	<u>1,860</u>
Deferred taxation	1,458	3,329
	<u>5,535</u>	<u>5,189</u>

The taxation charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2004 HK\$'000	2003 HK\$'000
Profit before taxation	<u>55,601</u>	<u>50,809</u>
Tax at the domestic income tax rate of 17.5% (2003: 16%)	9,730	8,129
Tax effect of expenses not deductible for tax purpose	293	556
Tax effect of income not taxable for tax purpose	(211)	(389)
Tax effect of revaluation increase on investment properties restricted to capital allowances previously claimed	–	2,808
Tax effect of deductible temporary differences not recognised	512	292
Tax effect of tax losses not recognised	1	153
Tax effect of utilisation of deductible temporary differences previously not recognised	(3,194)	(3,441)
Tax effect of utilisation of tax losses previously not recognised	(2,464)	(2,685)
Effect of different tax rates of a subsidiary operating in other jurisdictions	(8)	(55)
Increase in opening deferred tax liabilities resulting from an increase in tax rate	1,002	–
Overprovision in prior years	(449)	(105)
Others	323	(74)
Taxation charge for the year	<u>5,535</u>	<u>5,189</u>

Details of the deferred tax liabilities are set out in note 21.

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For the year ended 31 March 2004

11. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Interim dividend, paid – 5 cents (2003: 4 cents) per ordinary share	6,750	5,400
Final dividend, proposed – 6 cents (2003: 5 cents) per ordinary share	8,100	6,750
	<u>14,850</u>	<u>12,150</u>

A final dividend of 6 cents per share, amounting to HK\$8,100,000, for the year has been proposed by the directors and is subject to the approval by shareholders in the annual general meeting.

12. EARNINGS PER SHARE – BASIC

The calculation of earnings per share is based on the profit for the year of HK\$50,066,000 (2003: HK\$45,620,000) and on 135,000,000 shares in issue throughout the two years.

13. INVESTMENT PROPERTIES

	THE GROUP HK\$'000
VALUATION	
At 1 April 2003	801,000
Revaluation increase	22,000
At 31 March 2004	<u>823,000</u>

The investment properties are rented out under operating leases. They were revalued at 31 March 2004 on an open market value basis by Messrs. Jones Lang LaSalle Limited and A A Property Services Limited, Chartered Surveyors. The revaluation increase amounting to HK\$22,000,000 has been credited to investment property revaluation reserve.

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

	2004 HK\$'000	2003 HK\$'000
Long leases	103,000	101,000
Medium-term leases	720,000	700,000
	<u>823,000</u>	<u>801,000</u>

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14. PROPERTY, PLANT AND EQUIPMENT

	Godown premises in Hong Kong held under long leases <i>HK\$'000</i>	Godown premises in Hong Kong held under medium- term leases <i>HK\$'000</i>	Office premises and carparks in Mainland China held under medium-term land use right <i>HK\$'000</i>	Leasehold improvements, furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
COST						
At 1 April 2003	74,498	32,975	1,668	19,408	3,392	131,941
Additions	–	–	–	569	1,363	1,932
Disposal	–	–	–	–	(2,219)	(2,219)
At 31 March 2004	74,498	32,975	1,668	19,977	2,536	131,654
DEPRECIATION, AMORTISATION AND IMPAIRMENT						
At 1 April 2003	35,855	25,854	717	17,009	3,171	82,606
Provided for the year	2,345	214	53	932	298	3,842
Eliminated on disposal	–	–	–	–	(2,219)	(2,219)
At 31 March 2004	38,200	26,068	770	17,941	1,250	84,229
NET BOOK VALUES						
At 31 March 2004	<u>36,298</u>	<u>6,907</u>	<u>898</u>	<u>2,036</u>	<u>1,286</u>	<u>47,425</u>
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>

Notes to the Financial Statements

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14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE COMPANY			
COST			
At 1 April 2003	6,948	2,477	9,425
Additions	66	–	66
Disposal	–	(2,219)	(2,219)
At 31 March 2004	7,014	258	7,272
DEPRECIATION			
At 1 April 2003	6,759	2,477	9,236
Provided for the year	118	–	118
Eliminated on disposal	–	(2,219)	(2,219)
At 31 March 2004	6,877	258	7,135
NET BOOK VALUES			
At 31 March 2004	137	–	137
At 31 March 2003	189	–	189

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY 2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	31,780	31,780
Loans to subsidiaries	786,455	792,010
Impairment loss recognised	818,235 (160,632)	823,790 (160,632)
	657,603	663,158

Except for the loans of approximately HK\$759,058,000 (2003: HK\$764,772,000) and HK\$3,705,000 (2003: HK\$3,774,000) which bear interest at 0.25% (2003: 0.25%) per annum and prime rate (2003: prime rate), respectively, the loans to subsidiaries are unsecured, interest free and have no fixed terms of repayment. The Company will not demand for repayment of the loans within the next twelve months from the balance sheet date. Accordingly, the loans are shown as non-current.

Details of the subsidiaries at 31 March 2004 are set out in note 28.

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16. INVESTMENTS IN SECURITIES

	Trading securities		Other securities		Total	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
Equity securities:						
Listed in Hong Kong, at market value	<u>12,114</u>	<u>12,041</u>	<u>31,781</u>	<u>13,019</u>	<u>43,895</u>	<u>25,060</u>
Carrying amount analysed for reporting purposes as:						
Non-current	–	–	31,781	13,019	31,781	13,019
Current	<u>12,114</u>	<u>12,041</u>	<u>–</u>	<u>–</u>	<u>12,114</u>	<u>12,041</u>
	<u>12,114</u>	<u>12,041</u>	<u>31,781</u>	<u>13,019</u>	<u>43,895</u>	<u>25,060</u>
THE COMPANY						
Equity securities:						
Listed in Hong Kong, at market value	<u>12,078</u>	<u>12,041</u>	<u>31,781</u>	<u>13,019</u>	<u>43,859</u>	<u>25,060</u>
Carrying amount analysed for reporting purposes as:						
Non-current	–	–	31,781	13,019	31,781	13,019
Current	<u>12,078</u>	<u>12,041</u>	<u>–</u>	<u>–</u>	<u>12,078</u>	<u>12,041</u>
	<u>12,078</u>	<u>12,041</u>	<u>31,781</u>	<u>13,019</u>	<u>43,859</u>	<u>25,060</u>

17. 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	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables				
Within 60 days	4,521	4,208	2,603	2,479
61-90 days	133	261	85	136
Over 90 days	<u>154</u>	<u>589</u>	<u>45</u>	<u>144</u>
	4,808	5,058	2,733	2,759
Other receivables	<u>5,870</u>	<u>5,346</u>	<u>478</u>	<u>632</u>
	<u>10,678</u>	<u>10,404</u>	<u>3,211</u>	<u>3,391</u>

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18. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Bank loans	22,500	58,000	20,000	20,000
Bank overdrafts	1,287	3,553	520	1,665
	<u>23,787</u>	<u>61,553</u>	<u>20,520</u>	<u>21,665</u>
Analysed as:				
Secured	23,267	59,888	20,000	20,000
Unsecured	520	1,665	520	1,665
	<u>23,787</u>	<u>61,553</u>	<u>20,520</u>	<u>21,665</u>

All bank borrowings are due for repayment within one year.

19. SHARE CAPITAL

	2004 & 2003 Number of shares	2004 & 2003 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>

20. RESERVES

	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY				
At 1 April 2002	43,216	(11,085)	494,355	526,486
Revaluation decrease not recognised in income statement	—	(9,802)	—	(9,802)
Profit for the year	—	—	11,733	11,733
Dividends paid	—	—	(13,500)	(13,500)
At 31 March 2003	43,216	(20,887)	492,588	514,917
Revaluation increase not recognised in income statement	—	18,762	—	18,762
Profit for the year	—	—	7,752	7,752
Dividends paid	—	—	(13,500)	(13,500)
At 31 March 2004	<u>43,216</u>	<u>(2,125)</u>	<u>486,840</u>	<u>527,931</u>

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20. RESERVES (Continued)

At the balance sheet date, the Company's reserves available for distribution to shareholders amounted to approximately HK\$345,727,000 (2003: HK\$351,475,000) which is analysed as follows:

	2004 HK\$'000	2003 HK\$'000
The Company's retained profits as stated above	486,840	492,588
Less: Profit on transfer of property to a subsidiary	(141,113)	(141,113)
	<u>345,727</u>	<u>351,475</u>

21. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior years:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2002			
– as originally stated	3,339	–	3,339
– prior period adjustment on adoption of SSAP 12 (Revised)	4,024	–	4,024
– as restated	7,363	–	7,363
Charge to income statement	3,329	–	3,329
At 31 March 2003	10,692	–	10,692
Charge (credit) to income statement	2,756	(2,300)	456
Effect of change in tax rate	1,002	–	1,002
At 31 March 2004	<u>14,450</u>	<u>(2,300)</u>	<u>12,150</u>

At 31 March 2004, the Group has unused tax losses of HK\$57,123,000 (2003: HK\$70,318,000) available for offset against future profits. A deferred tax asset has been recognised in respect of such tax losses of HK\$12,900,000 (2003: Nil). In addition, the Group has deductible temporary differences of HK\$3,194,000 (2003: HK\$16,200,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$44,223,000 (2003: HK\$70,318,000) and the deductible temporary differences due to the unpredictability of future profit streams.

The Company did not have any significant unprovided deferred taxation arising during the year or at the balance sheet date.

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22. 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 are as follows:

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Balance brought forward	5,583	8,667	4,323	5,222
Additional provision	29	206	—	—
Utilisation during the year	(318)	(290)	(183)	(99)
Write back of overprovision	—	(3,000)	—	(800)
Balance carried forward	<u>5,294</u>	<u>5,583</u>	<u>4,140</u>	<u>4,323</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\$593,000 (2003: HK\$536,000).

23. 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.

24. CAPITAL COMMITMENTS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>—</u>	<u>195</u>

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

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For the year ended 31 March 2004

25. PLEDGE OF ASSETS

The Company's bank deposit of HK\$20,000,000 (2003: HK\$20,000,000) has been pledged to secure a bank loan of HK\$20,000,000 (2003: HK\$20,000,000).

In addition, the Group's investment properties and property, plant and equipment with carrying values of HK\$720,000,000 (2003: HK\$700,000,000) and HK\$5,903,000 (2003: HK\$6,093,000), respectively, have been pledged to banks to secure general banking facilities of HK\$79,000,000 (2003: HK\$119,000,000) granted to the Group.

26. OPERATING LEASE ARRANGEMENTS

The Group as lessor:

Property rental income earned during the year was HK\$55,000,000 (2003: HK\$57,992,000). The properties held have committed tenants for a term ranging from six months 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	
	2004	2003
	HK\$'000	HK\$'000
Within one year	41,288	41,328
In the second to fifth year inclusive	17,374	27,635
	<u>58,662</u>	<u>68,963</u>

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

27. RELATED PARTY TRANSACTIONS

During the year, the Group received a reimbursement of expenses amounting to HK\$240,000 (2003: 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 is determined by reference to the prevailing market rates and the estimated costs incurred by the Group.

Notes to the Financial Statements

For the year ended 31 March 2004

28. PARTICULARS OF SUBSIDIARIES

Particulars of subsidiaries as at 31 March 2004 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%	–	Holding and operating godown and property investment
East Asia (Fujian) Property Development Co. Ltd.	Mainland China	US\$1,619,394 Registered capital	–	100%	Property holding
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 holding godown
Genlink Development Limited	Hong Kong	HK\$2 Ordinary shares	100%	–	Property holding
Good Ready Investment 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
Rich China Development Limited	Hong Kong	HK\$2 Ordinary shares	100%	–	Securities trading
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.