

# Notes to the Financial Statements

For the year ended 31 March 2005

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

## 2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

## 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.

# Notes to the Financial Statements

For the year ended 31 March 2005

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *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.

Sale of trading securities is recognised on a trade-date basis.

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 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.

# Notes to the Financial Statements

For the year ended 31 March 2005

## 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 rights	
	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.

# Notes to the Financial Statements

For the year ended 31 March 2005

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *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.

### *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 income statement items that are never taxable or deductible.

# Notes to the Financial Statements

For the year ended 31 March 2005

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

### *Provisions*

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

# Notes to the Financial Statements

For the year ended 31 March 2005

## 4. SEGMENT INFORMATION

### *Business segments*

Treasury investment is separately identified as a business segment in current year. Accordingly, certain comparative figures in consolidated income statement, consolidated cash flow statement and the relevant notes were reclassified to conform with current year's presentation.

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

Principal activities are as follows:

Godown operations	–	Operation of godown
Property investment	–	Leasing of investment properties
Treasury investment	–	Securities trading and investment

Segment information about these businesses is presented below:

### **For the year ended 31 March 2005**

	<b>Godown operations HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Treasury investment HK\$'000</b>	<b>Eliminations HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>Turnover</b>					
External income	<b>30,944</b>	<b>50,520</b>	<b>42,223</b>	–	<b>123,687</b>
Inter-segment income	–	<b>5,676</b>	–	<b>(5,676)</b>	–
<b>Total</b>	<b><u>30,944</u></b>	<b><u>56,196</u></b>	<b><u>42,223</u></b>	<b><u>(5,676)</u></b>	<b><u>123,687</u></b>
Inter-segment income is charged at prevailing market rates.					
<b>Segment result</b>	<b><u>12,266</u></b>	<b><u>34,192</u></b>	<b><u>14,061</u></b>	<b><u>–</u></b>	<b>60,519</b>
Unallocated corporate expenses					<b><u>(5,735)</u></b>
Profit from operations					<b>54,784</b>
Finance costs					<b><u>(242)</u></b>
Profit before taxation					<b>54,542</b>
Taxation					<b><u>(9,003)</u></b>
Profit for the year					<b><u>45,539</u></b>

# Notes to the Financial Statements

For the year ended 31 March 2005

## 4. SEGMENT INFORMATION (Continued)

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
<b>Assets</b>				
Segment assets	50,000	916,102	128,551	1,094,653
Unallocated corporate assets				4,389
Consolidated total assets				<u>1,099,042</u>
<b>Liabilities</b>				
Segment liabilities	12,284	27,465	–	39,749
Unallocated corporate liabilities				40,196
Consolidated total liabilities				<u>79,945</u>

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
<b>Other information</b>				
Capital expenditure	239	63	–	302
Depreciation and amortisation	<u>3,500</u>	<u>510</u>	<u>–</u>	<u>4,010</u>

For the year ended 31 March 2004

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Turnover</b>					
External income	27,660	55,000	21,226	–	103,886
Inter-segment income	–	5,676	–	(5,676)	–
Total	<u>27,660</u>	<u>60,676</u>	<u>21,226</u>	<u>(5,676)</u>	<u>103,886</u>
Inter-segment income is charged at prevailing market rates.					
<b>Segment result</b>	<u>12,230</u>	<u>39,273</u>	<u>10,354</u>	<u>–</u>	61,857
Unallocated corporate expenses					(5,487)
Profit from operations					56,370
Finance costs					(769)
Profit before taxation					55,601
Taxation					(5,535)
Profit for the year					<u>50,066</u>

# Notes to the Financial Statements

For the year ended 31 March 2005

## 4. SEGMENT INFORMATION (Continued)

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Assets</b>				
Segment assets	44,208	836,892	79,693	960,793
Unallocated corporate assets				602
Consolidated total assets				<u>961,395</u>
<b>Liabilities</b>				
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>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Other information</b>				
Capital expenditure	1,560	372	–	1,932
Depreciation and amortisation	3,124	718	–	3,842
Gain on disposal of property, plant and equipment	<u>30</u>	<u>–</u>	<u>–</u>	<u>30</u>

### *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.



# Notes to the Financial Statements

For the year ended 31 March 2005

## 5. PROFIT FROM OPERATIONS

	2005 HK\$'000	2004 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	450	450
and after crediting:		
Gross rental income from investment properties	50,520	55,000
Less: outgoings	(3,060)	(3,573)
Net rental income	47,460	51,427
Bank interest income	122	242
Dividend income from listed investments	2,210	996
Gain on disposal of listed trading securities	7,985	4,731
Gain on disposal of property, plant and equipment	—	30

## 6. FINANCE COSTS

	2005 HK\$'000	2004 HK\$'000
Interest on borrowings wholly repayable within five years:		
Bank	242	724
Others	—	45
	242	769

## 7. DIRECTORS' EMOLUMENTS

	2005 HK\$'000	2004 HK\$'000
Directors' fees:		
Executive	90	60
Non-executive	130	40
Independent non-executive	207	145
Other emoluments – Executive directors:		
Salaries and other emoluments	3,290	3,289
Retirement benefits scheme contributions	24	24
Total emoluments	3,741	3,558

# Notes to the Financial Statements

For the year ended 31 March 2005

## 7. DIRECTORS' EMOLUMENTS (Continued)

The emoluments of directors were within the following bands:

	Number of directors	
	2005	2004
Nil to HK\$1,000,000	6	5
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$2,000,001 to HK\$2,500,000	1	1
	<u>8</u>	<u>7</u>

## 8. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2004: two) were executive directors of the Company whose emoluments are included in note 7 above. The emoluments of the remaining three (2004: three) individuals were as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries and other benefits	1,445	1,622
Retirement benefits scheme contributions	36	34
	<u>1,481</u>	<u>1,656</u>

The aggregate emoluments for each of the above-mentioned three (2004: three) employees during the year were within the Nil to HK\$1,000,000 band.

## 9. TAXATION

	2005 HK\$'000	2004 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	5,219	4,526
Overprovision in prior years	(504)	(449)
	<u>4,715</u>	<u>4,077</u>
Deferred taxation (note 21)	4,288	1,458
	<u>9,003</u>	<u>5,535</u>

# Notes to the Financial Statements

For the year ended 31 March 2005

## 9. TAXATION (Continued)

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

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	<u>54,542</u>	<u>55,601</u>
Tax at the domestic income tax rate of 17.5%	9,545	9,730
Tax effect of expenses not deductible for tax purpose	305	293
Tax effect of income not taxable for tax purpose	(406)	(211)
Tax effect of revaluation increase on investment properties restricted to capital allowances previously claimed	6,589	–
Tax effect of deductible temporary differences not recognised	–	512
Tax effect of tax losses not recognised	1,720	1
Tax effect of utilisation of deductible temporary differences previously not recognised	(404)	(3,194)
Tax effect of utilisation of tax losses previously not recognised	(7,290)	(2,464)
Effect of different tax rates of a subsidiary operating in other jurisdictions	(29)	(8)
Increase in opening deferred tax liabilities resulting from an increase in tax rate	–	1,002
Overprovision in prior years	(504)	(449)
Others	(523)	323
Taxation charge for the year	<u>9,003</u>	<u>5,535</u>

## 10. DIVIDENDS

	2005 HK\$'000	2004 HK\$'000
Interim dividend, paid – 7 cents (2004: 5 cents) per ordinary share	9,450	6,750
Final dividend, proposed – 7 cents (2004: 6 cents) per ordinary share	9,450	8,100
	<u>18,900</u>	<u>14,850</u>

A final dividend of 7 cents per share, amounting to HK\$9,450,000, for the year has been proposed by the directors and is subject to the approval by shareholders in the annual general meeting.

# Notes to the Financial Statements

For the year ended 31 March 2005

## 11. EARNINGS PER SHARE – BASIC

The calculation of earnings per share is based on the profit for the year of HK\$45,539,000 (2004: HK\$50,066,000) and on 135,000,000 shares in issue throughout both years.

## 12. INVESTMENT PROPERTIES

	THE GROUP
	HK\$'000
VALUATION	
At 1 April 2004	823,000
Revaluation increase	90,400
	<hr/>
At 31 March 2005	913,400
	<hr/>

The investment properties are rented out under operating leases. They were revalued at 31 March 2005 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\$90,400,000 has been credited to investment property revaluation reserve.

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

	2005	2004
	HK\$'000	HK\$'000
Long leases	118,400	103,000
Medium-term leases	795,000	720,000
	<hr/>	<hr/>
	913,400	823,000
	<hr/>	<hr/>

# Notes to the Financial Statements

For the year ended 31 March 2005

## 13. 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 carpark 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>
<b>THE GROUP</b>						
<b>COST</b>						
At 1 April 2004	74,498	32,975	1,668	19,977	2,536	131,654
Additions	—	—	—	302	—	302
At 31 March 2005	74,498	32,975	1,668	20,279	2,536	131,956
<b>DEPRECIATION, AMORTISATION AND IMPAIRMENT</b>						
At 1 April 2004	38,200	26,068	770	17,941	1,250	84,229
Provided for the year	2,345	213	52	997	403	4,010
At 31 March 2005	40,545	26,281	822	18,938	1,653	88,239
<b>NET BOOK VALUES</b>						
At 31 March 2005	<u>33,953</u>	<u>6,694</u>	<u>846</u>	<u>1,341</u>	<u>883</u>	<u>43,717</u>
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>

# Notes to the Financial Statements

For the year ended 31 March 2005

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

	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE COMPANY</b>			
<b>COST</b>			
At 1 April 2004	7,014	258	7,272
Additions	102	–	102
At 31 March 2005	7,116	258	7,374
<b>DEPRECIATION</b>			
At 1 April 2004	6,877	258	7,135
Provided for the year	120	–	120
At 31 March 2005	6,997	258	7,255
<b>NET BOOK VALUES</b>			
At 31 March 2005	119	–	119
At 31 March 2004	137	–	137

## 14. INVESTMENTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2005</b>	2004
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Unlisted shares, at cost	31,780	31,780
Loans to subsidiaries	760,020	786,455
	791,800	818,235
Less: Impairment loss and allowances recognised	(17,402)	(160,632)
	<b>774,398</b>	657,603

Except for the loans of approximately HK\$731,042,000 (2004: HK\$759,058,000) and HK\$3,633,000 (2004: HK\$3,705,000) which bear interest at 0.25% (2004: 0.25%) per annum and prime rate (2004: 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 principal subsidiaries at 31 March 2005 are set out in note 28.

# Notes to the Financial Statements

For the year ended 31 March 2005

## 15. INVESTMENTS IN SECURITIES

	Trading securities		Other securities		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
<b>THE GROUP</b>						
Equity securities:						
Listed in Hong Kong, at market value	<u>37,249</u>	<u>12,114</u>	<u>46,408</u>	<u>31,781</u>	<u>83,657</u>	<u>43,895</u>
Carrying amount analysed for reporting purposes as:						
Non-current	—	—	46,408	31,781	46,408	31,781
Current	<u>37,249</u>	<u>12,114</u>	<u>—</u>	<u>—</u>	<u>37,249</u>	<u>12,114</u>
	<u>37,249</u>	<u>12,114</u>	<u>46,408</u>	<u>31,781</u>	<u>83,657</u>	<u>43,895</u>
<b>THE COMPANY</b>						
Equity securities:						
Listed in Hong Kong, at market value	<u>37,212</u>	<u>12,078</u>	<u>46,408</u>	<u>31,781</u>	<u>83,620</u>	<u>43,859</u>
Carrying amount analysed for reporting purposes as:						
Non-current	—	—	46,408	31,781	46,408	31,781
Current	<u>37,212</u>	<u>12,078</u>	<u>—</u>	<u>—</u>	<u>37,212</u>	<u>12,078</u>
	<u>37,212</u>	<u>12,078</u>	<u>46,408</u>	<u>31,781</u>	<u>83,620</u>	<u>43,859</u>

## 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	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Trade receivables				
Within 60 days	4,067	4,521	2,540	2,603
61-90 days	233	133	202	85
Over 90 days	<u>185</u>	<u>154</u>	<u>139</u>	<u>45</u>
	4,485	4,808	2,881	2,733
Other receivables	<u>4,501</u>	<u>5,870</u>	<u>722</u>	<u>478</u>
	<u>8,986</u>	<u>10,678</u>	<u>3,603</u>	<u>3,211</u>

# Notes to the Financial Statements

For the year ended 31 March 2005

## 17. PROVISION FOR LEGAL CLAIMS

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance brought forward	5,027	700	1,383	—
Additional provision	8,652	4,327	1,960	1,383
Balance carried forward	<u>13,679</u>	<u>5,027</u>	<u>3,343</u>	<u>1,383</u>

## 18. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans	20,000	22,500	20,000	20,000
Bank overdrafts	—	1,287	—	520
	<u>20,000</u>	<u>23,787</u>	<u>20,000</u>	<u>20,520</u>
Analysed as:				
Secured	20,000	23,267	20,000	20,000
Unsecured	—	520	—	520
	<u>20,000</u>	<u>23,787</u>	<u>20,000</u>	<u>20,520</u>

All bank borrowings are due for repayment within one year.

## 19. SHARE CAPITAL

	2005 & 2004	2005 & 2004
	Number of shares	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>



# Notes to the Financial Statements

For the year ended 31 March 2005

## 20. RESERVES

	Share premium <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE COMPANY</b>				
At 1 April 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	–	–	(13,500)	(13,500)
At 31 March 2004	43,216	(2,125)	486,840	527,931
Revaluation increase not recognised in income statement	–	14,627	–	14,627
Profit for the year	–	–	154,578	154,578
Dividends	–	–	(17,550)	(17,550)
At 31 March 2005	<u>43,216</u>	<u>12,502</u>	<u>623,868</u>	<u>679,586</u>

At the balance sheet date, the Company's reserves available for distribution to shareholders amounted to approximately HK\$482,755,000 (2004: HK\$345,727,000) which is analysed as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
The Company's retained profits as stated above	623,868	486,840
Less: Profit on transfer of property to a subsidiary	<u>(141,113)</u>	<u>(141,113)</u>
	<u>482,755</u>	<u>345,727</u>

# Notes to the Financial Statements

For the year ended 31 March 2005

## 21. DEFERRED TAXATION

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

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>	<b>Tax losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 April 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	14,450	(2,300)	12,150
Charge (credit) to income statement	9,688	(5,400)	4,288
At 31 March 2005	<u>24,138</u>	<u>(7,700)</u>	<u>16,438</u>

At 31 March 2005, the Group has unused tax losses of HK\$56,552,000 (2004: HK\$57,123,000) available for offset against future profits. A deferred tax asset has been recognised in respect of such tax losses of HK\$44,000,000 (2004: HK\$12,900,000). In addition, the Group has deductible temporary differences of HK\$888,000 (2004: HK\$3,194,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$12,552,000 (2004: HK\$44,223,000) 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.

# Notes to the Financial Statements

For the year ended 31 March 2005

## 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	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Balance brought forward	5,294	5,583	4,140	4,323
Additional provision	110	29	67	–
Utilisation during the year	(2,684)	(318)	(2,513)	(183)
Balance carried forward	<u>2,720</u>	<u>5,294</u>	<u>1,694</u>	<u>4,140</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 charged for the year is HK\$632,000 (2004: HK\$593,000).

## 23. AMOUNT DUE TO 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. PLEDGE OF ASSETS

The Company's bank deposit of HK\$20,000,000 (2004: HK\$20,000,000) has been pledged to secure a bank loan of HK\$20,000,000 (2004: HK\$20,000,000).

In addition, the Group's investment properties and property, plant and equipment with carrying values of HK\$795,000,000 (2004: HK\$720,000,000) and HK\$5,713,000 (2004: HK\$5,903,000), respectively, have been pledged to banks to secure general banking facilities of HK\$72,000,000 (2004: HK\$79,000,000) granted to the Group.

# Notes to the Financial Statements

For the year ended 31 March 2005

## 25. OPERATING LEASE ARRANGEMENTS

*The Group as lessor:*

Property rental income earned during the year was HK\$50,520,000 (2004: HK\$55,000,000). The properties held have committed tenants for terms 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	
	2005	2004
	HK\$'000	HK\$'000
Within one year	29,298	41,288
In the second to fifth year inclusive	14,844	17,374
	<u>44,142</u>	<u>58,662</u>

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

## 26. OUTSTANDING LITIGATIONS

At the balance sheet date, there were two outstanding unresolved litigations that were brought against the Group. These cases relate to certain damage alleged to be caused by defects in certain property previously owned by the Group and disputable income received by the Group. The Group intends to strongly contest the claims and, while the final outcome of the proceedings is uncertain, the directors are of the opinion that adequate provision has been made in the financial statements and the ultimate liability, if any, will not have a material impact on the Group's financial position.

In addition, there was one outstanding unresolved litigation that was brought against the Group relating to the loss of storage goods. Subsequent to the balance sheet date, the Group was adjudged by the Court of First Instance to be liable to the claims. After taking senior counsel's opinion, the Group is now appealing against the judgment of the Court of First Instance at the Court of Appeal. The directors are of the opinion that it is too early to assess the outcome of the appeal at this stage and adequate provision has been made in the financial statements.

## 27. RELATED PARTY TRANSACTIONS

During the year, the Group received a reimbursement of expenses amounting to HK\$240,000 (2004: 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 the management of both parties.

# Notes to the Financial Statements

For the year ended 31 March 2005

## 28. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries at 31 March 2005 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
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 Corporate Services Limited (formerly known as 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.