



TERN PROPERTIES COMPANY LIMITED



ANNUAL REPORT 2002

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chan Hoi Sow

Chairman and Managing Director

Chan Siu Keung, Leonard

Chan Yan Tin, Andrew

(resigned as Executive Director on 2 April 2001)

Non-Executive Director

Chan Yan Tin, Andrew

(appointed as Non-Executive Director on 2 April 2001)

Independent Non-Executive Directors

Lee Yip Wah, Peter

Lee Ka Sze, Carmelo

AUDIT COMMITTEE

Lee Yip Wah, Peter

Lee Ka Sze, Carmelo

COMPANY SECRETARY

Lee Yip Wah, Peter

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Wing Lung Bank Limited

DBS Kwong On Bank Limited

Dao Heng Bank Limited

AUDITORS

Deloitte Touche Tohmatsu

SOLICITORS

Woo, Kwan, Lee & Lo

REGISTERED OFFICE

26th Floor, Tern Centre, Tower I

237 Queen's Road Central

Hong Kong

REGISTRARS

Computershare Hong Kong Investor Services Limited

(formerly known as Central Registration Hong Kong Limited)

Rooms 1901-5, 19th Floor

Hopewell Centre

183 Queen's Road East

Hong Kong

PROFILE OF DIRECTORS

CHAN Hoi Sow

Mr. Chan, aged 68, has been the Chairman and Managing Director of the Group since 1987. Mr. Chan has more than 25 years experience in property investment and development in both Hong Kong and overseas.

CHAN Siu Keung, Leonard

Mr. Chan, aged 45, has been an executive director of the Company since October 1994. Mr. Chan is a qualified accountant. He joined the Group in 1992 and has extensive experience in finance and investment.

CHAN Yan Tin, Andrew

Mr. Chan, aged 38, has been a non-executive director of the Company since April 2001. He was an executive director from October 1987 to April 2001. Mr. Chan is a son of Mr. Chan Hoi Sow. He graduated from a Canadian university, and has extensive experience in property investment and development in both Hong Kong and overseas.

LEE Yip Wah, Peter

Mr. Lee, aged 60, has been an independent non-executive director of the Company since October 1994. Mr. Lee is a practising solicitor, a partner of Messrs. Woo, Kwan, Lee & Lo, Solicitors & Notaries and a China appointed attesting officer. He is also a non-executive director of a number of public listed companies including Cosco Pacific Limited, Shenzhen Investment Limited and Elec & Eltek International Holdings Limited. Mr. Lee is also the secretary of the Company.

LEE Ka Sze, Carmelo

Mr. Lee, aged 42, has been an independent non-executive director of the Company since September 1998. Mr. Lee holds a Bachelor of Laws degree from the University of Hong Kong. He is a practising solicitor and is a partner of Messrs. Woo, Kwan, Lee & Lo, Solicitors & Notaries.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Tern Properties Company Limited (the "Company") will be held in the conference room of Woo, Kwan, Lee & Lo, 26th Floor, Jardine House, 1 Connaught Place, Hong Kong on Friday, 6 September 2002 at 12:00 noon for the following purposes:

1. To receive and consider the audited Financial Statements, the Directors' Report and the Auditors' Report for the year ended 31 March 2002.
2. To declare a final dividend.
3. To elect Directors and to fix the Directors' fees.
4. To appoint Auditors and authorise the Directors to fix their remuneration.
5. To transact any other ordinary business.

By order of the Board

Lee Yip Wah, Peter

Secretary

Hong Kong, 7 June 2002

Notes:

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the registered office of the Company at 26th Floor, Tern Centre, Tower I, 237 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.

CHAIRMAN'S STATEMENT

RESULTS

I am pleased to report that the Group's audited consolidated profit for the year ended 31 March 2002, after providing for taxation, amounted to HK\$23,118,910. Earnings per share for the year was HK7.5 cents.

DIVIDENDS

The Directors propose to declare a final dividend of HK1.5 cents per share. This dividend, together with the interim dividend of HK1.0 cent per share already paid in January 2002, will make a total distribution of HK2.5 cents per share for the full year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 30 August 2002 to Friday, 6 September 2002, both days inclusive, during which period no transfer of shares will be registered by the Company. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Thursday, 29 August 2002. It is expected that the final dividend warrants will be despatched to shareholders on or about 9 September 2002.

BUSINESS REVIEW

Hong Kong

Despite poor local economic conditions, the Group continued to achieve an average occupancy rate of 98% for its rental portfolio during the year. The Group's gross rental income for the year was HK\$32.7 million. In addition, the Group's share of gross rental income from an associate was HK\$10.1 million. Therefore the total gross rental income attributable to the Group amounted to HK\$42.8 million, representing an increase of 5.8% over that of the previous year. The Group's shops and office space in the central Tsimshatsui area remained fully leased. Rental rates for these properties have been holding up firmly due to their excellent location.

The Group has increased its investments in debt securities during the year. The investments resulted in an unrealized gain of HK\$6.0 million for the Group.

CHAIRMAN'S STATEMENT

Overseas and China

During the year, the Group sold a residential unit of Pointe Claire in Vancouver, Canada. One more unit has been sold subsequent to the year end date. The remaining seven units of Pointe Claire and an office unit in Shanghai King City remained fully leased.

PROSPECTS

Global political and economic uncertainties remain since September last year. However the U.S. economy is showing signs of recovery after the rapid decrease of interest rate since the beginning of last year. This factor should help to alleviate the current high unemployment situation in Hong Kong and stimulate consumer confidence. Therefore the local economy is expected to stabilize in the second half of the year.

Although the primary residential market appears to improve recently, the second hand market remains weak. Fragile investment sentiments and the large supply of residential properties will continue to have an adverse effect on the residential property market. In the commercial property market, there has been a continuous demand for high quality shops in good locations due to scarce supply. The demand will enable the rental rate to keep firm. Grade A office rental has decreased substantially and should stabilize for the year while smaller office in central Tsimshatsui will continue to enjoy a good demand. The Group will continue to focus its investments on commercial properties at excellent locations. The Group has renewed most of the major shops leases with higher or unchanged rental rates during the year. Therefore the Group's rental income is expected to remain stable in the next year.

Finally I would like to take this opportunity to express my gratitude to all the Directors and staff members of the Group for their valuable contribution and continued support throughout the year.

Chan Hoi Sow

Chairman

Hong Kong, 7 June 2002

OPERATION AND FINANCIAL REVIEW

OPERATION

The Group continued to focus its business on holding commercial properties for rental purpose during the year. Gross rental income for the year ended 31 March 2002 amounted to HK\$32.7 million (2001: HK\$31.4 million), representing an increase of 4.2% over that of the previous year. The increase was due to upward rental adjustment for some shops leases renewed during the year. The Group's share of gross rental income from an associate amounted to HK\$10.1 million (2001: HK\$9.0 million), representing an increase of 11.5% over that of the previous year. The substantial recovery of rental income reflected the high quality of the investment properties held by the associate of the Group.

RESULTS

The Group's profit for the year ended 31 March 2002 amounted to HK\$23.1 million (2001: HK\$14.5 million), representing an increase of 59.6% over that of the previous year. The increase was due to the higher rental income, interest income, unrealised holding gain on investments in securities and lower administrative expenses partially offset by the loss on disposal of residential units in Hong Kong and Vancouver during the year. The Group's share of results of associates after taxation amounted to HK\$6.7 million (2001: HK\$6.3 million), representing an increase of 5.9% over that of the previous year.

Earnings per share for the year were HK7.5 cents (2001: HK4.7 cents), representing an increase of HK2.8 cents over that of the previous year. The proposed final dividend of HK1.5 cents per share will make a total distribution of HK2.5 cents per share for the full year, which is the same as that of the previous year.

BANK BORROWINGS AND FINANCE COSTS

At 31 March 2002, the total amount of outstanding bank borrowings net of cash and deposits were HK\$152.8 million (2001: HK\$133.8 million), an increase of HK\$19.0 million over that of the previous year. Additional bank borrowings were used to increase the investment of debt securities. The ratio of net bank borrowings to shareholders' funds remained at a low level of 21.6% (2001: 18.9%).

The Group's bank borrowings are secured by its land and buildings and investment properties. Of the total bank borrowings at 31 March 2002, 41% are repayable within one year, 31% are repayable after one year but within five years and 28% are repayable after five years.

The Group's finance costs for the year ended 31 March 2002 were HK\$7.5 million (2001: HK\$10.6 million), representing a decrease of 28.9% over that of the previous year. The decrease was due to the re-financing of the Group's bank borrowings at lower interest rate and the general decrease in market interest rate during the year.

OPERATION AND FINANCIAL REVIEW

SHAREHOLDERS' FUNDS

At 31 March 2002, the Group's shareholders' funds amounted to HK\$708.2 million (2001: HK\$706.1 million), representing a slight increase of HK\$2.1 million over that of the previous year. The net asset value per share was HK\$2.30 (2001: HK\$2.29). The increase in shareholders' funds represented the profit retained for the year partially offset by the reduction in the value of the Group's investment properties upon revaluation at the year end date.

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2002.

PRINCIPAL ACTIVITIES

The Company continues to act as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 15 and 16 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2002 are set out in the consolidated income statement on page 14.

An interim dividend of HK1.0 cent per share amounting to HK\$3,078,125 was paid on 7 January 2002. The Directors now recommend the payment of a final dividend of HK1.5 cents per share to be paid to the shareholders on the Register of Members on 6 September 2002.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

The Group revalued all of its investment properties at the year end date. The net deficit arising on revaluation, which has been charged directly to the investment property revaluation reserve, amounted to HK\$18,244,998.

Details of these and other movements during the year in investment properties and property, plant and equipment of the Group and the Company are set out in notes 13 and 14 to the financial statements respectively.

PARTICULARS OF PROPERTIES HELD BY THE GROUP

Details of the properties held by the Group at 31 March 2002 are set out on pages 49 and 51.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 20 to the financial statements.

DIRECTORS' REPORT

RESERVES

Movements during the year in reserves of the Group and the Company are set out in note 21 to the financial statements.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Director

Mr. Chan Hoi Sow

Mr. Chan Siu Keung, Leonard

Mr. Chan Yan Tin, Andrew *(resigned as Executive Director on 2 April 2001)*

Non-Executive Director

Mr. Chan Yan Tin, Andrew *(appointed as Non-Executive Director on 2 April 2001)*

Independent Non-Executive Director

Mr. Lee Yip Wah, Peter

Mr. Lee Ka Sze, Carmelo

None of the Directors has a service contract which is not determinable by the Company within one year without payment of compensation.

In accordance with Article 103 of the Articles of Association of the Company, Mr. Chan Siu Keung, Leonard and Mr. Chan Yan Tin, Andrew shall retire by rotation and, being eligible, offer themselves for re-election.

The term of office of the Non-Executive Directors are the period up to their retirement by rotation in accordance with the Articles of Association of the Company.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES

At 31 March 2002, the interests of the Directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of Director	Number of ordinary shares held		Total
	Personal interests	Corporate interests	
Mr. Chan Hoi Sow	2,036,000	169,296,896 <i>(Note)</i>	171,332,896
Mr. Chan Siu Keung, Leonard	Nil	Nil	Nil
Mr. Chan Yan Tin, Andrew	792,000	Nil	792,000
Mr. Lee Yip Wah, Peter	Nil	Nil	Nil
Mr. Lee Ka Sze, Carmelo	Nil	Nil	Nil

Note: Mr. Chan Hoi Sow had a controlling interest in Dingfar Holdings Ltd. which, through Noranger Company Limited, held 143,474,000 ordinary shares of the Company. He also had a controlling interest in Evergrade Investments Limited which held 25,822,896 ordinary shares of the Company. Accordingly, Mr. Chan Hoi Sow and his spouse, Madam Loo Kuo Pin, were deemed to have interests in 169,296,896 ordinary shares of the Company.

Other than as disclosed above, none of the Directors nor their associates had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the Directors, nor their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS

At 31 March 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the share capital of the Company:

Name	Number of ordinary shares	%
Noranger Company Limited	143,474,000	46.6
Dingfar Holdings Ltd. (<i>Note</i>)	143,474,000	46.6

Note: Dingfar Holdings Ltd. beneficially owns a controlling interest in Noranger Company Limited and is accordingly deemed by the SDI Ordinance to be interested in the ordinary shares of the Company beneficially owned by Noranger Company Limited.

Other than as disclosed above and under Directors' interests in shares, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital at 31 March 2002.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group accounted for approximately 36% of total turnover of which approximately 12.8% was attributable to the largest customer. The five largest suppliers of the Group accounted for less than 30% of the total purchases of the Group during the year. The Directors do not consider any one customer or supplier to be influential to the Group.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which, to the knowledge of the Directors, owned more than 5% of the Company's issued share capital) has an interest in any of the Group's five largest customers.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 31 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

DIRECTORS' REPORT

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 March 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDITORS

A resolution will be submitted to the Annual General Meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

By order of the Board

Lee Yip Wah, Peter

Secretary

Hong Kong, 7 June 2002

AUDITORS' REPORT

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE MEMBERS OF TERN PROPERTIES COMPANY LIMITED

太興置業有限公司

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 14 to 47 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Companies Ordinance requires the Directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 7 June 2002

Tern Properties Company Limited

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2002

	Notes	2002 HK\$	2001 HK\$ (As restated)
Turnover		43,104,451	39,624,675
Property expenses		(1,831,893)	(1,483,727)
Cost of other investments disposed of		(10,223,361)	(7,938,010)
Gross profit		31,049,197	30,202,938
Unrealised holding gain on other investments		5,984,656	1,864,772
Interest income	5	5,282,158	748,681
Other revenue		157,845	1,140,254
Administrative expenses		(11,002,193)	(14,992,225)
Loss on disposal of investment properties		(207,338)	–
Loss on disposal of property, plant and equipment		(4,207,797)	–
Impairment loss recognised in respect of investment securities		(1,500,000)	–
Profit from operations	6	25,556,528	18,964,420
Finance costs	7	(7,542,339)	(10,611,652)
Share of results of associates		7,476,346	7,045,137
Profit before taxation		25,490,535	15,397,905
Taxation	10	(2,371,625)	(912,031)
Profit for the year		<u>23,118,910</u>	<u>14,485,874</u>
Dividends	11	<u>7,695,313</u>	<u>7,695,313</u>
Earnings per share	12	<u>7.5 cents</u>	<u>4.7 cents</u>

CONSOLIDATED BALANCE SHEET

At 31 March 2002

	Notes	2002 HK\$	2001 HK\$ (As restated)
Non-current assets			
Investment properties	13	619,230,850	638,711,267
Property, plant and equipment	14	19,927,425	36,966,749
Interests in associates	16	162,930,683	159,068,837
Investments in securities	17	73,041,213	19,313,640
Club debentures		2,160,500	2,160,500
		<u>877,290,671</u>	<u>856,220,993</u>
Current assets			
Trade and other receivables	18	2,844,755	1,429,726
Bank deposits		18,000,368	15,000,000
Bank balances and cash		1,703,050	1,142,176
		<u>22,548,173</u>	<u>17,571,902</u>
Current liabilities			
Trade and other payables	19	9,520,777	9,419,575
Rental deposits from tenants		8,016,690	7,950,520
Tax liabilities		1,544,082	346,418
Bank loans – due within one year	22	64,211,907	17,013,240
Bank overdrafts – secured		16,412,093	39,562,254
		<u>99,705,549</u>	<u>74,292,007</u>
Net current liabilities		<u>(77,157,376)</u>	<u>(56,720,105)</u>
Total assets less current liabilities		<u>800,133,295</u>	<u>799,500,888</u>
Capital and reserves			
Share capital	20	153,906,261	153,906,261
Reserves	21	554,343,422	552,239,547
		<u>708,249,683</u>	<u>706,145,808</u>
Non-current liability			
Bank loans – due after one year	22	91,883,612	93,355,080
		<u>800,133,295</u>	<u>799,500,888</u>

The financial statements on pages 14 to 47 were approved and authorised for issue by the Board of Directors on 7 June 2002 and are signed on its behalf by:

Chan Hoi Sow
Director

Chan Siu Keung, Leonard
Director

Tern Properties Company Limited

BALANCE SHEET

At 31 March 2002

	Notes	2002 HK\$	2001 HK\$ (As restated)
Non-current assets			
Property, plant and equipment	14	–	–
Interests in subsidiaries	15	345,927,649	360,109,428
Interests in associates	16	32,446,858	39,896,858
		<u>378,374,507</u>	<u>400,006,286</u>
Current assets			
Trade and other receivables		109,190	109,190
Bank balances and cash		141,405	136,222
		<u>250,595</u>	<u>245,412</u>
Current liabilities			
Trade and other payables		123,742	123,096
Bank overdrafts – secured		16,412,093	37,970,441
		<u>16,535,835</u>	<u>38,093,537</u>
Net current liabilities		<u>(16,285,240)</u>	<u>(37,848,125)</u>
Total assets less current liabilities		<u><u>362,089,267</u></u>	<u><u>362,158,161</u></u>
Capital and reserves			
Share capital	20	153,906,261	153,906,261
Reserves	21	101,870,637	94,981,835
		<u>255,776,898</u>	<u>248,888,096</u>
Non-current liability			
Amounts due to subsidiaries	23	106,312,369	113,270,065
		<u>362,089,267</u>	<u>362,158,161</u>

Chan Hoi Sow
Director

Chan Siu Keung, Leonard
Director

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2002

	2002 HK\$	2001 HK\$
(Deficit) surplus on revaluation of investment properties	(18,244,998)	3,588,567
Share of surplus on revaluation of an associate's investment properties	<u>4,610,000</u>	<u>8,375,001</u>
Net (losses) gains not recognised in the consolidated income statement	(13,634,998)	11,963,568
Profit for the year	<u>23,118,910</u>	<u>14,485,874</u>
Total recognised gains	<u><u>9,483,912</u></u>	<u><u>26,449,442</u></u>
Prior period adjustments arising from the effects of changes in accounting policies (Note 2)		
– increase in dividend reserve		<u><u>4,622,078</u></u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2002

	Notes	2002 HK\$	2001 HK\$
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	20,053,166	19,288,144
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends paid		(7,695,313)	(7,698,866)
Interest paid		(7,542,339)	(10,499,985)
Interest received		5,282,158	748,681
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(9,955,494)	(17,450,170)
TAXATION			
Tax paid		(826,262)	(2,473,552)
Tax refunded		426,801	110,225
NET TAX PAID		(399,461)	(2,363,327)
INVESTING ACTIVITIES			
Purchase of investments in securities		(49,242,917)	(17,448,868)
Purchase of property, plant and equipment		(168,230)	(470,412)
Proceeds from disposal of property, plant and equipment		12,000,000	–
Repayment from an associate		7,450,000	6,750,000
Proceeds from disposal of investment properties		1,247,140	–
Purchase of investment properties		–	(896,160)
Decrease in pledged bank deposits		–	42,772
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(28,714,007)	(12,022,668)
NET CASH OUTFLOW BEFORE FINANCING		(19,015,796)	(12,548,021)
FINANCING	26		
New bank loans raised		187,916,824	44,400,000
Repayment of bank loans		(142,189,625)	(46,627,459)
Repurchase of shares		–	(458,102)
NET CASH INFLOW (OUTFLOW) FROM FINANCING		45,727,199	(2,685,561)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		26,711,403	(15,233,582)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		(23,420,078)	(8,186,496)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		3,291,325	(23,420,078)
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank deposits		18,000,368	15,000,000
Bank balance and cash		1,703,050	1,142,176
Bank overdrafts		(16,412,093)	(39,562,254)
		3,291,325	(23,420,078)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

1. GENERAL

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

The Company continues to act as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 15 and 16 respectively.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group’s accounting policies that have affected the amounts reported for the current or prior periods.

Events after the balance sheet date

In accordance with SSAP 9 (Revised) “Events after the Balance Sheet Date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment of increasing the shareholders’ fund of the Group and the Company at 1 April 2000 and 1 April 2001 by HK\$4,622,078 and HK\$4,617,188 respectively.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 “Segment Reporting”. Segment disclosures for the year ended 31 March 2001 have been amended so that they are presented on a consistent basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment 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 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 have been eliminated on consolidation.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

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.

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. 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, 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

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.

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of the assets, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land	Over the terms of the lease
Buildings	4% or over the terms of the lease, if higher
Furniture and office equipment	20%
Leasehold improvement	10%
Motor vehicles	25%

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.

Foreign currencies

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

Turnover

Turnover represents the aggregate of amounts received and receivable from property rental income and the sales of securities investment.

Revenue recognition

Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the respective lease terms.

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

Sale of investments is recognised when the title to the investment is transferred and the buyer takes legal possession of the investment.

Dividend income from investments is recognised when the Company's right to receive payment has been established.

Operating leases

Leases of assets in respect of which substantially all the rewards and risks of ownership remain with the lessors are accounted for as operating leases. Rentals paid and payable under operating leases are charged to the income statement on a straight-line basis over such term of the relevant lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Retirement benefits scheme

The retirement benefit costs charged to the income statement represent the contributions payable in respect of the current year to the Group's Mandatory Provident Fund Scheme.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Segment information about these businesses is presented below:

INCOME STATEMENT

For the year ended 31 March 2002

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
REVENUE			
Revenue from external sales	<u>32,711,907</u>	<u>10,392,544</u>	<u>43,104,451</u>
RESULT			
Segment result	<u>19,846,803</u>	<u>9,917,522</u>	29,764,325
Unallocated corporate expenses			<u>(4,207,797)</u>
Profit from operations			25,556,528
Finance costs	(5,891,867)	(1,650,472)	(7,542,339)
Share of results of associates	7,476,346	–	<u>7,476,346</u>
Profit before taxation			25,490,535
Taxation			<u>(2,371,625)</u>
Profit for the year			<u>23,118,910</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

BALANCE SHEET

At 31 March 2002

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
ASSETS			
Segment assets	660,345,755	76,562,406	736,908,161
Interests in associates	162,930,683	–	162,930,683
	<u>823,276,438</u>	<u>76,562,406</u>	<u>899,838,844</u>
LIABILITIES			
Segment liabilities	<u>137,045,079</u>	<u>53,000,000</u>	190,045,079
Tax liabilities			<u>1,544,082</u>
			<u>191,589,161</u>

OTHER INFORMATION

For the year ended 31 March 2002

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
Capital additions	168,230	–	168,230
Depreciation	999,757	–	999,757
Impairment losses recognised in the income statement	–	1,500,000	1,500,000
Other non-cash expenses	<u>96,217</u>	<u>–</u>	<u>96,217</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

INCOME STATEMENT

For the year ended 31 March 2001

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
REVENUE			
Revenue from external sales	<u>31,388,770</u>	<u>8,235,905</u>	<u>39,624,675</u>
RESULT			
Segment result	<u>16,086,824</u>	<u>2,877,596</u>	<u>18,964,420</u>
Profit from operations			18,964,420
Finance costs	(10,607,984)	(3,668)	(10,611,652)
Share of results of associates	7,045,137	–	<u>7,045,137</u>
Profit before taxation			15,397,905
Taxation			<u>(912,031)</u>
Profit for the year			<u>14,485,874</u>

BALANCE SHEET

At 31 March 2001

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
ASSETS			
Segment assets	692,986,382	21,737,676	714,724,058
Interests in associates	<u>159,068,837</u>	–	<u>159,068,837</u>
	<u>852,055,219</u>	<u>21,737,676</u>	<u>873,792,895</u>
LIABILITIES			
Segment liabilities	<u>164,300,669</u>	<u>3,000,000</u>	167,300,669
Tax liabilities			<u>346,418</u>
			<u>167,647,087</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

OTHER INFORMATION

For the year ended 31 March 2001

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
Capital additions	470,412	–	470,412
Depreciation	1,461,982	–	1,461,982
Other non-cash expenses	1,106,102	–	1,106,102

Geographical segments

Over 90% of the activities of the Group during the year were carried out in Hong Kong and over 90% of the assets of the Group were located in Hong Kong. Accordingly, a geographical analysis is not presented.

5. INTEREST INCOME

	2002 HK\$	2001 HK\$
Interest income from bank deposits and balances	18,475	33,752
Interest income from other investments	5,263,683	714,929
	<u>5,282,158</u>	<u>748,681</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

6. PROFIT FROM OPERATIONS

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Profit from operations has been arrived at after charging:		
Auditors' remuneration	250,000	270,000
Depreciation	999,757	1,461,982
Exchange loss	38,217	544,912
Staff costs (including Directors' remuneration)	6,332,536	9,754,606
Mandatory Provident Fund contributions	56,003	22,113
Total staff costs	<u>6,388,539</u>	<u>9,776,719</u>
and after crediting:		
Gain on disposal of other investments	169,183	297,895
Gross rental income from investment properties	32,711,907	31,388,770
Less: Outgoings	1,831,893	1,483,727
Net rental income	<u>30,880,014</u>	<u>29,905,043</u>

7. FINANCE COSTS

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Interest on bank borrowings		
Wholly repayable within five years	2,601,831	2,827,252
Not wholly repayable within five years	4,940,508	7,784,400
	<u>7,542,339</u>	<u>10,611,652</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

8. DIRECTORS' REMUNERATION

	2002	2001
	HK\$	HK\$
Directors' fees:		
Executive Directors	–	–
Non-Executive Director	50,000	–
Independent Non-Executive Directors	100,000	100,000
Other emoluments (Executive Directors):		
Salaries and other benefits	5,158,500	8,040,850
Mandatory Provident Fund contributions	12,000	8,000
	<u>5,320,500</u>	<u>8,148,850</u>

Remuneration of the Directors are within the following bands:

	Number of Directors	
	2002	2001
Nil – HK\$1,000,000	4	3
HK\$2,000,001 – HK\$2,500,000	–	1
HK\$4,000,001 – HK\$4,500,000	1	–
HK\$4,500,001 – HK\$5,000,000	–	1
	<u>–</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

9. EMPLOYEES' EMOLUMENTS

Of the five highest paid employees in the Group, two (2001: three) were Directors of the Company whose emoluments were included in note 8. The emoluments of the remaining three (2001: two) individuals were as follows:

	2002 HK\$	2001 HK\$
Salaries and other benefits	654,550	476,300
Mandatory Provident Fund contributions	30,253	7,245
	<u>684,803</u>	<u>483,545</u>

The aggregate emoluments of each of the remaining three (2001: two) highest paid individuals during the years ended 31 March 2002 and 2001 were within the HK\$1,000,000 band.

During the years ended 31 March 2002 and 2001, no emoluments were paid by the Group to the five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

10. TAXATION

	2002 HK\$	2001 HK\$
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax		
Current year	853,915	776,115
Overprovision in prior years	(233,720)	(583,665)
	<u>620,195</u>	<u>192,450</u>
Underprovision of overseas taxation in prior years	976,930	–
Share of tax on results of associates	774,500	719,581
	<u>2,371,625</u>	<u>912,031</u>

Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profit for the year.

Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

Details of the potential deferred tax not provided for in the year are set out in note 24.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

11. DIVIDENDS

	2002	2001
	<i>HK\$</i>	HK\$
Interim, paid – HK1.0 cent per share (2001: HK1.0 cent per share)	3,078,125	3,078,125
Final, proposed – HK1.5 cents per share (2001: HK1.5 cents per share)	<u>4,617,188</u>	<u>4,617,188</u>
	<u><u>7,695,313</u></u>	<u><u>7,695,313</u></u>

The final dividend of HK1.5 cents per share has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

12. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit for the year of HK\$23,118,910 (2001: HK\$14,485,874) and on 307,812,522 (2001: weighted average number of 307,934,845) ordinary shares in issue during the year.

No diluted earnings per share has been presented as there were no dilutive potential shares in issue in either year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

13. INVESTMENT PROPERTIES

	<i>HK\$</i>
THE GROUP	
VALUATION	
At 1 April 2001	638,711,267
Exchange adjustment	(96,217)
Disposals	(1,139,202)
Deficit on revaluation	(18,244,998)
	<hr/>
At 31 March 2002	<u>619,230,850</u>

The investment properties of the Group were revalued at 31 March 2002 on an open market value existing use basis by Vigers Hong Kong Limited, Chartered Surveyors and Johnston, Ross & Cheng Ltd., independent valuers. The deficit arising on revaluation has been charged to the investment property revaluation reserve.

The carrying amount of investment properties shown above comprises:

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Properties in Hong Kong under medium-term leases	603,840,000	622,540,000
Properties outside Hong Kong		
Freehold	10,188,250	11,070,067
Medium-term lease	4,555,200	4,453,800
Long lease	647,400	647,400
	<hr/>	<hr/>
	<u>619,230,850</u>	<u>638,711,267</u>

All the investment properties of the Group are rented out under operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings held under medium-term lease in Hong Kong <i>HK\$</i>	Furniture and office equipment <i>HK\$</i>	Leasehold improvement <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP					
COST					
At 1 April 2001	37,873,546	3,424,969	4,425,961	6,949,994	52,674,470
Additions	–	51,360	116,870	–	168,230
Disposals	(17,530,560)	(158,056)	(292,166)	(800,000)	(18,780,782)
At 31 March 2002	20,342,986	3,318,273	4,250,665	6,149,994	34,061,918
DEPRECIATION					
At 1 April 2001	3,246,445	3,052,097	2,659,185	6,749,994	15,707,721
Provided for the year	220,664	155,376	423,717	200,000	999,757
Eliminated on disposals	(1,479,178)	(156,139)	(137,668)	(800,000)	(2,572,985)
At 31 March 2002	1,987,931	3,051,334	2,945,234	6,149,994	14,134,493
NET BOOK VALUES					
At 31 March 2002	18,355,055	266,939	1,305,431	–	19,927,425
At 31 March 2001	34,627,101	372,872	1,766,776	200,000	36,966,749
					Furniture and office equipment <i>HK\$</i>
THE COMPANY					
COST					
At 1 April 2001 and 31 March 2002					258,636
DEPRECIATION					
At 1 April 2001 and 31 March 2002					(258,636)
NET BOOK VALUE					
At 31 March 2002 and 31 March 2001					–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

15. INTERESTS IN SUBSIDIARIES

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Unlisted shares, at cost less impairment loss	48,528,420	48,528,420
Amounts due from subsidiaries less allowance	297,399,229	311,581,008
	<u>345,927,649</u>	<u>360,109,428</u>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the Directors, the amounts will not be repaid within twelve months from the balance sheet date and the amounts are therefore classified as non-current.

The carrying amounts of investment costs and amounts due from subsidiaries are reduced to their recoverable amounts which is determined by reference to the fair value of the underlying assets of the respective subsidiaries.

Details of the Company's wholly owned subsidiaries at 31 March 2002 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Principal activities
Bo Ding Holdings Ltd.	Republic of Liberia/ Hong Kong	HK\$2	Investment holding
Funswin Investment Limited	Hong Kong	HK\$2	Securities investment
Grademark Limited	Hong Kong	HK\$2	Property investment
Grant Horn Investment Limited	Hong Kong	HK\$2	Inactive
High Spark Properties Limited	Hong Kong	HK\$20	Property investment
Kamillex Company Limited	Hong Kong	HK\$2	Investment holding
Kimberly Investment Limited	Hong Kong	HK\$2	Property investment
Kimwui Investments Limited	Hong Kong	HK\$2	Property investment
Kinghale Investment Limited	Hong Kong	HK\$2	Inactive
Kingunit Company Limited	Hong Kong	HK\$2	Property investment

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

15. INTERESTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Principal activities
Laquinta Investments Limited	The British Virgin Islands/ Hong Kong	US\$1	Property investment
Longo Investment Company Limited	Hong Kong	HK\$2	Property investment
Pomeroy Company Limited	Hong Kong	HK\$2	Property investment
Spark View Limited	Hong Kong	HK\$20	Property investment
Strongfort Company Limited	Hong Kong	HK\$40,000	Property investment
Take Easy Investment Limited	Hong Kong	HK\$2	Property investment
Tern China Investments Limited	Hong Kong	HK\$2	Property investment
Tern Real Estate Agency Limited	Hong Kong	HK\$2	Inactive
Zepersing Limited	Hong Kong	HK\$2	Property investment

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

All subsidiaries are directly owned by the Company except Zepersing Limited.

16. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Unlisted shares, at cost	–	–	32	32
Share of net assets	130,483,857	119,172,011	–	–
Amount due from an associate	32,446,826	39,896,826	32,446,826	39,896,826
	<u>162,930,683</u>	<u>159,068,837</u>	<u>32,446,858</u>	<u>39,896,858</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

16. INTERESTS IN ASSOCIATES (continued)

The amount due from an associate is unsecured, interest-free and has no fixed repayment terms. In the opinion of the Directors, the amount will not be repaid within twelve months from the balance sheet date and the amount is therefore classified as non-current.

Details of the Group's associates at 31 March 2002 are as follows:

Name of associate	Place of incorporation/ operation	Issued and fully paid ordinary share capital HK\$	Percentage of equity attributable to the Group	Principal activities
Milsons Investment Limited	Hong Kong	110	27.27%	Not yet commenced business
Spirit Fidelity Limited	Hong Kong	2	50.00%	Trustee
Win Easy Development Limited	Hong Kong	2	50.00%	Property investment

The following details have been extracted from the audited financial statements of the Group's principal associate, Win Easy Development Limited:

Operating results for the year ended 31 March:

	2002 HK\$	2001 HK\$
Turnover	20,175,839	18,094,906
Depreciation	22,295	20,715
Profit before taxation	<u>14,952,692</u>	<u>14,090,274</u>
Profit before taxation attributable to the Group	<u>7,476,346</u>	<u>7,045,137</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

16. INTERESTS IN ASSOCIATES (continued)

Financial position at 31 March:

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Non-current assets	333,530,296	324,332,590
Current assets	741,296	1,967,442
Current liabilities	(8,410,288)	(8,162,421)
Non-current liabilities	(64,893,653)	(79,793,652)
	<u>260,967,651</u>	<u>238,343,959</u>
Shareholders' funds	<u>260,967,651</u>	<u>238,343,959</u>
Shareholders' funds attributable to the Group	<u>130,483,826</u>	<u>119,171,980</u>

17. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2002	2001	2002	2001	2002	2001
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
THE GROUP						
Unlisted equity securities						
in Hong Kong, at cost						
less impairment loss						
recognised	–	1,500,000	–	–	–	1,500,000
Listed overseas debt securities	–	–	73,041,213	17,813,640	73,041,213	17,813,640
	<u>–</u>	<u>1,500,000</u>	<u>73,041,213</u>	<u>17,813,640</u>	<u>73,041,213</u>	<u>19,313,640</u>
Market value of listed debt securities	–	–	73,041,213	17,813,640	73,041,213	17,813,640

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

17. INVESTMENTS IN SECURITIES *(continued)*

During the year, due to changes in the economic environment, the directors considered that the investment in unlisted equity securities would not generate any future income, therefore an impairment loss of HK\$1,500,000 has been provided for.

18. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are rental receivables of HK\$574,798 (2001: HK\$280,710) with defined credit policy. The rental income is billed in advance and settlement is expected upon receipt of billings.

All the rental receivables at the balance sheet date had an aging of less than 90 days.

19. TRADE AND OTHER PAYABLES

Included in trade and other payables are rental receipts in advance of HK\$480,094 (2001: HK\$549,729).

All the rental receipts in advance at the balance sheet date had an aging of less than 90 days.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

20. SHARE CAPITAL

	Number of ordinary shares of HK\$0.5 each		Nominal value	
	2002	2001	2002 HK\$	2001 HK\$
THE COMPANY				
Authorised:				
At 1 April and 31 March	<u>400,000,000</u>	<u>400,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
Issued and fully paid:				
At 1 April	307,812,522	308,138,522	153,906,261	154,069,261
Shares repurchased and cancelled	<u>–</u>	<u>(326,000)</u>	<u>–</u>	<u>(163,000)</u>
At 31 March	<u>307,812,522</u>	<u>307,812,522</u>	<u>153,906,261</u>	<u>153,906,261</u>

There were no movements in the share capital for the year.

During the year ended 31 March 2001, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate consideration paid (before expenses) HK\$
		Highest HK\$	Lowest HK\$	
August 2000	326,000	1.40	1.40	456,400

The repurchased shares were subsequently cancelled upon repurchase and accordingly, the issued capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the accumulated profits of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

21. RESERVES

	Share premium account HK\$	Investment property revaluation reserve HK\$	Capital redemption reserve HK\$	Dividend reserve HK\$	Accumulated profits HK\$	Total HK\$
THE GROUP						
At 1 April 2000						
Originally stated	72,818,414	214,911,256	2,499,000	–	238,929,772	529,158,442
Prior year adjustment (Note 2)	–	–	–	4,622,078	–	4,622,078
As restated	72,818,414	214,911,256	2,499,000	4,622,078	238,929,772	533,780,520
Share of reserve movement of an associate during the year	–	8,375,001	–	–	–	8,375,001
Surplus on revaluation	–	3,588,567	–	–	–	3,588,567
Repurchase of shares	–	–	163,000	–	(458,102)	(295,102)
Profit for the year	–	–	–	–	14,485,874	14,485,874
Overprovision of prior years' final dividend due to repurchase of shares	–	–	–	(4,890)	4,890	–
Dividends declared	–	–	–	7,695,313	(7,695,313)	–
Dividends paid	–	–	–	(7,695,313)	–	(7,695,313)
At 31 March 2001	72,818,414	226,874,824	2,662,000	4,617,188	245,267,121	552,239,547
Share of reserve movement of an associate during the year	–	4,610,000	–	–	–	4,610,000
Deficit on revaluation	–	(18,244,998)	–	–	–	(18,244,998)
Realised on disposal of investment properties	–	315,276	–	–	–	315,276
Profit for the year	–	–	–	–	23,118,910	23,118,910
Dividends declared	–	–	–	7,695,313	(7,695,313)	–
Dividends paid	–	–	–	(7,695,313)	–	(7,695,313)
At 31 March 2002	<u>72,818,414</u>	<u>213,555,102</u>	<u>2,662,000</u>	<u>4,617,188</u>	<u>260,690,718</u>	<u>554,343,422</u>
Attributable to:						
The Company and subsidiaries	72,818,414	157,584,706	2,662,000	4,617,188	186,177,289	423,859,597
Associates	–	55,970,396	–	–	74,513,429	130,483,825
	<u>72,818,414</u>	<u>213,555,102</u>	<u>2,662,000</u>	<u>4,617,188</u>	<u>260,690,718</u>	<u>554,343,422</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

21. RESERVES (continued)

	Share premium account HK\$	Investment property revaluation reserve HK\$	Capital redemption reserve HK\$	Dividend reserve HK\$	Accumulated profits HK\$	Total HK\$
THE COMPANY						
At 1 April 2000						
Originally stated	72,818,414	–	2,499,000	–	23,018,476	98,335,890
Prior year adjustment (Note 2)	–	–	–	4,622,078	–	4,622,078
As restated	72,818,414	–	2,499,000	4,622,078	23,018,476	102,957,968
Repurchase of shares	–	–	163,000	–	(458,102)	(295,102)
Profit for the year	–	–	–	–	14,282	14,282
Overprovision of prior year's final dividend due to repurchase of shares	–	–	–	(4,890)	4,890	–
Dividends declared	–	–	–	7,695,313	(7,695,313)	–
Dividends paid	–	–	–	(7,695,313)	–	(7,695,313)
At 31 March 2001	72,818,414	–	2,662,000	4,617,188	14,884,233	94,981,835
Profit for the year	–	–	–	–	14,584,115	14,584,115
Dividends declared	–	–	–	7,695,313	(7,695,313)	–
Dividends paid	–	–	–	(7,695,313)	–	(7,695,313)
At 31 March 2002	<u>72,818,414</u>	<u>–</u>	<u>2,662,000</u>	<u>4,617,188</u>	<u>21,773,035</u>	<u>101,870,637</u>

The Company's reserves available for distribution to shareholders, calculated in accordance with generally accepted accounting principles in Hong Kong and section 79B of the Companies Ordinance, amounted to HK\$21,773,035 (2001: HK\$14,884,233) since, in accordance with the Company's Articles of Association, dividends can only be distributed out of realised profits of the Company.

Included in the investment property revaluation reserve is an amount of HK\$27,981,212 (2001: HK\$27,981,212) which arose in the period before the property, 29 Granville Road, Tsimshatsui was reclassified as an investment property. On the subsequent sale or retirement of this property, such revaluation surplus will be transferred to accumulated profits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

22. BANK LOANS

	THE GROUP	
	2002	2001
	HK\$	HK\$
The secured bank loans are repayable as follows:		
Within one year	64,211,907	17,013,240
More than one year but not exceeding two years	11,626,730	8,560,704
More than two years but not exceeding five years	37,269,879	29,377,782
More than five years	42,987,003	55,416,594
	<u>156,095,519</u>	<u>110,368,320</u>
<i>Less:</i> Amount due within one year	<u>(64,211,907)</u>	<u>(17,013,240)</u>
	<u>91,883,612</u>	<u>93,355,080</u>

23. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the Directors, the amounts will not be repaid within twelve months from the balance sheet date and the amounts are therefore classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

24. DEFERRED TAXATION

Deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

At the balance sheet date, the major components of the potential deferred tax assets unprovided are as follows:

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Tax effect of timing differences because of:				
Excess of depreciation over tax allowances	117,913	96,365	719	1,389
Tax losses	1,583,992	1,529,660	259,759	125,638
	<u>1,701,905</u>	<u>1,626,025</u>	<u>260,478</u>	<u>127,027</u>

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

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Tax effect of timing differences because of:				
Difference between depreciation over tax allowances	21,548	(37,355)	(670)	286
Tax losses arising (utilised)	54,332	(213,263)	134,121	(74,353)
	<u>75,880</u>	<u>(250,618)</u>	<u>133,451</u>	<u>(74,067)</u>

Deferred tax has not been provided on the surplus arising on the revaluation of investment properties situated in Hong Kong as profits arising on the disposal of these assets would not be subject to taxation. The surplus arising on the revaluation of investment properties outside Hong Kong was immaterial.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

25. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Profit before taxation	25,490,535	15,397,905
Share of results of associates	(7,476,346)	(7,045,137)
Interest income	(5,282,158)	(748,681)
Interest expenses	7,542,339	10,611,652
Loss on disposal of investment properties	207,338	–
Loss on disposal of property, plant and equipment	4,207,797	–
Impairment loss recognised in respect of investment securities	1,500,000	–
Depreciation	999,757	1,461,982
Unrealised holding gain on other investments	(5,984,656)	(1,864,772)
Written off of club debenture	–	21,000
Exchange adjustment on investment properties	96,217	1,106,102
(Increase) decrease in trade and other receivables	(1,415,029)	707,460
Increase in trade and other payables	101,202	60,945
Increase (decrease) in rental deposits from tenants	66,170	(420,312)
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>20,053,166</u>	<u>19,288,144</u>

26. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank loans <i>HK\$</i>
At 1 April 2000	112,595,779
New bank loans raised	44,400,000
Repayment of bank loans	<hr/> (46,627,459)
	110,368,320
At 31 March 2001	110,368,320
New bank loans raised	187,916,824
Repayment of bank loans	<hr/> (142,189,625)
	156,095,519
At 31 March 2002	<u>156,095,519</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

27. PENSION SCHEME

The Group operates Mandatory Provident Fund scheme (the “MPF”) for all existing staff members of the Group.

The MPF is defined contribution scheme and the assets of the scheme are managed by the trustees.

The MPF is available to all employees aged 18 to 64 and with at least 60 days of service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% based on the staff’s relevant income. The maximum relevant income for contribution purpose is HK\$20,000 per month. Staff members are entitled to 100% of the Group’s contributions together with accrued returns irrespective of their length of service with the Group, but the benefits are required by law to be preserved until the retirement age of 65.

The Group’s cost for the MPF charged to income statement for the year ended 31 March 2002 amounted to HK\$56,003 (2001: HK\$22,113).

28. PLEDGE OF ASSETS

At the balance sheet date, the Group’s banking facilities totalling HK\$235,948,000 (2001: HK\$175,249,385) were secured by its land and buildings and investment properties with an aggregate carrying value amounting to HK\$540,343,305 (2001: HK\$433,186,953). These facilities were utilised to the extent of HK\$172,507,612 (2001: HK\$149,930,574) as at the balance sheet date.

29. CONTINGENT LIABILITIES

At the balance sheet date, there were contingent liabilities, so far as not provided for in the financial statements, in respect of guarantees for the banking facilities made available to:

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Subsidiaries	<u>–</u>	<u>–</u>	<u>144,427,564</u>	<u>129,951,800</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

30. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2002	2001
	HK\$	HK\$
Minimum lease payments paid under operating leases in respect of rented properties during the year	<u>576,000</u>	<u>564,880</u>

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	
	2002	2001
	HK\$	HK\$
Within one year	48,000	–
In the second to fifth year inclusive	<u>–</u>	<u>624,000</u>
	<u>48,000</u>	<u>624,000</u>

Operating lease payments represent rentals payable by the Group for the quarters of a director. Leases are negotiated and rentals are fixed for an average term of 2 years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

30. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessor

The investment properties of the Group are expected to generate rental yields of approximately 5% (2001: 5%) on an ongoing basis. All of the properties held have committed tenants not exceeding three years.

At the balance sheet date, the Company had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2002	2001
	HK\$	HK\$
Within one year	14,310,049	28,041,747
In the second to fifth year inclusive	3,582,389	7,953,608
	<u>17,892,438</u>	<u>35,995,355</u>

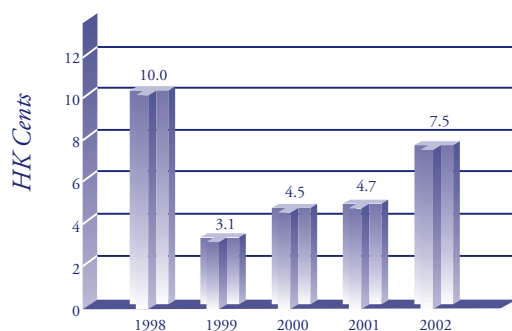
31. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, one of the wholly owned subsidiaries of the Company entered into an agreement with a third party regarding the disposal of an investment property, at a consideration of CAD235,000 equivalent to approximately HK\$1,154,000, resulting in a gain on disposal of approximately HK\$98,000.

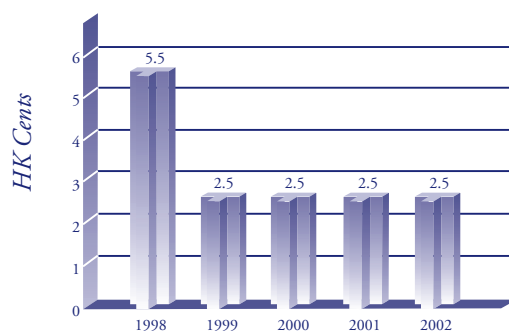
FIVE YEAR FINANCIAL SUMMARY

	1998 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	153,515	37,533	33,264	39,625	43,104
Profit for the year	30,251	9,494	13,983	14,486	23,119
Earnings per share	HK 10.0 cents	HK 3.1 cents	HK 4.5 cents	HK 4.7 cents	HK 7.5 cents
Dividends per share	HK 5.5 cents	HK 2.5 cents	HK 2.5 cents	HK 2.5 cents	HK 2.5 cents
Total assets	1,186,368	828,450	868,953	873,793	899,839
Total liabilities	183,033	170,596	181,099	167,647	191,589
Total shareholders' funds	1,003,335	657,854	687,854	706,146	708,250

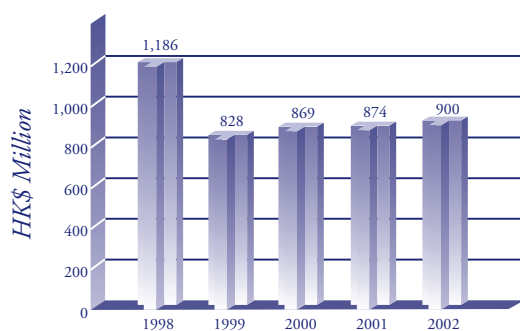
Note: Prior periods' figures have been adjusted to reflect the change in accounting policies for the adoption of several new and revised SSAPs as described in note 2 to the financial statements.



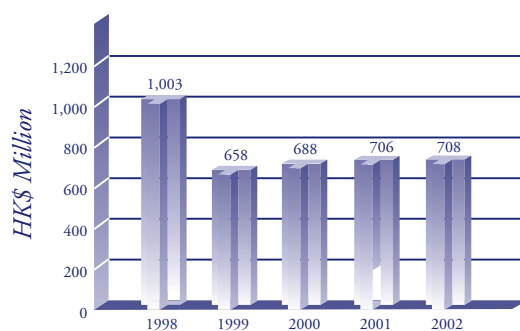
EARNINGS PER SHARE



DIVIDENDS PER SHARE



TOTAL ASSETS



TOTAL SHAREHOLDERS' FUNDS

PARTICULARS OF PROPERTIES HELD BY THE GROUP

Details of properties held by the Group at 31 March 2002 are as follows:

I. Land and buildings

	Location	Use	Category of lease	Group's interests
	Hong Kong			
1.	The whole of 26th, 27th and 28th floors, Tower I, Tern Centre, 237 Queen's Road Central, Hong Kong	Office	Medium-term	100%
2.	Flat No. 59 on 15th floor, Tower 9 and car parking space nos. 66 and 67 on Car Park Entrance 4 (Level 3), Hong Kong Parkview, 88 Tai Tam Reservoir Road, Hong Kong	Directors' quarters	Medium-term	100%

II. Investment properties

	Location	Use	Category of lease	Group's interests
	Hong Kong			
1.	Shops No. G15 and G16 on ground floor and Shop No. 8 on 1st floor, Site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
2.	Shop No. G17 on ground floor and Shop No. 9A on 1st floor, Site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
3.	Shop No. G21 on ground floor and Shop No. 11A on 1st floor, Site D of Park Lane Shopper's Boulevard, Nathan Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%

PARTICULARS OF PROPERTIES HELD BY THE GROUP

II. Investment properties *(Continued)*

	Location	Use	Category of lease	Group's interests
	Hong Kong			
4.	Shops No. B and C on ground floor, the whole of upper ground floor and 1st floor, Ka Wing Building, 27 Granville Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
5.	The whole of lower ground floor, ground floor and 1st floor, Tower I, Tern Centre, 237 Queen's Road Central, Hong Kong	Commercial	Medium-term	100%
6.	The whole of Tower II, Tern Centre, 251 Queen's Road Central, Hong Kong	Commercial	Medium-term	100%
7.	The whole of ground floor, 1st, 2nd, 3rd and 5th floors, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
8.	The whole of Southgate Commercial Centre, 29 Granville Road, Tsimshatsui, Kowloon	Commercial	Medium-term	100%
9.	The whole of basement, ground floor, 1st, 2nd, 3rd, 4th, 5th, 6th, 8th and 9th floors, Tern Plaza, 5 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	50%
10.	The whole of 9th Floor, 3 Cameron Road, Tsimshatsui, Kowloon	Commercial	Medium-term	50%
11.	The whole of 4th floor, 31 Granville Road, Tsimshatsui, Kowloon	Residential	Medium-term	100%
12.	Flat B on 4th floor, Ka Wing Building, 27 Granville Road, Tsimshatsui, Kowloon	Residential	Medium-term	100%

PARTICULARS OF PROPERTIES HELD BY THE GROUP

II. Investment properties *(Continued)*

	Location	Use	Category of lease	Group's interests
Hong Kong				
13.	Carpark No. 31 on the podium of Level 2, 37 Repulse Bay Road, Hong Kong	Carpark	Medium-term	100%
14.	Ground floor, 1st and 3rd floors, 4th floor with flat roof, 5th, 6th, 9th and 10th floors, 11th floor with top roof and five car parks on ground floor, Woo Hing Industrial Building, 18 Chi Kiang Street, Kowloon	Industrial	Medium-term	100%
Canada				
1.	Suites No. 406, 604, 1606, 1906, 2406, 2904, 3104 and 3201 with one carpark for each suite, Pointe Claire, 1238 Melville Street, Vancouver, British Columbia	Residential	Freehold	100%
The People's Republic of China				
1.	Unit 2 on 17th floor, Block 1, Shanghai Hongkou International Apartments, 88 Si Ping Road, Hongkou, Shanghai	Residential	Long-term	100%
2.	Unit D on 26th floor, Bao Sheng Bank Building, Shanghai King City, 71 Beijing East Road, Shanghai	Commercial	Medium-term	100%