

# **NOTES TO THE FINANCIAL STATEMENTS**

## **FOR THE YEAR ENDED 31ST JANUARY, 2002**

### **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 principal activities of the Group are investment holding, property investment and development, and provision of property agency services.

### **2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE**

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (“SSAP(s)”) issued by the Hong Kong Society of Accountants (“HKSA”). Adoption of these Standards 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 Standards 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 Standards has resulted in the following changes to the Group’s accounting policies that have affected the amounts reported for the current or prior years.

#### **Dividends proposed or declared 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 by the Group, resulting in prior year adjustments (see note 22) to derecognise the liability for final dividend proposed. The adoption of SSAP 9 (Revised) also resulted in prior year adjustments accounted for by the Company to derecognise the dividends declared by its subsidiaries (see note 22).

#### **Leases**

In prior years, leasehold land in Guam, U.S.A. included in other properties held by the Group and an associate was carried in the balance sheet date at revalued amounts.

SSAP 14 (Revised) “Leases” has clarified that such leases should be classified as operating leases and carried at cost, representing pre-paid lease payments, less amount amortised. Adjustments have been made retrospectively to conform with SSAP 14 (Revised). The effect of the adoption of this revised standard is to decrease the carrying value of the Group’s other properties, interests in associates, reserves and minority interests at 1st February, 2000 by HK\$4,026,750, HK\$13,696,800, HK\$14,690,607 and HK\$3,032,943 respectively, and to increase its loss for the year ended 31st January, 2002 by HK\$24,245 and decrease its profit for the year ended 31st January, 2001 by HK\$24,245, which have been dealt with by way of prior year adjustments.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE**

– continued

**Goodwill**

In the current year, the Group has adopted SSAP 30 “Business combinations” and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st February, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st February, 2001 will be credited to income statement at the time of disposal of the relevant subsidiary or associate. In the current year, goodwill (negative goodwill) is disclosed separately to conform with the presentation requirement of Interpretation 13 “Goodwill - continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves” issued by the HKSA.

Goodwill arising on acquisitions on or after 1st February, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions on or after 1st February, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

**Impairment**

SSAP 31 “Impairment of assets” has introduced a formal framework for the recognition of impairment losses in respect of the Group’s assets other than investment properties. Although in prior years the Group complied with the requirements of specific Accounting Standards in respect of impairment losses, the introduction of SSAP 31 has required a re-estimation of the recoverable amount of certain assets, resulting in the identification of additional impairment losses at 31st January, 2002 (see note 14). These additional impairment losses have been recognised in full in the current year.

**3. SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Basis of consolidation**

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

The results of subsidiaries acquired or disposed of during the year, if any, 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST JANUARY, 2002**

**3. SIGNIFICANT ACCOUNTING POLICIES – continued**

**Goodwill/negative goodwill**

Goodwill/negative goodwill arising on consolidation represents the excess/shortfall of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on acquisitions prior to 1st February, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st February, 2001 will continue to be held in reserve and will be credited to the income statement at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions on or after 1st February, 2001 is capitalised and amortised over its estimated useful life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet. On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

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

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

**Interests in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received or receivable.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST JANUARY, 2002**

**3. SIGNIFICANT ACCOUNTING POLICIES – continued**

**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.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividends received and receivable. In the Company's balance sheet, investments in associates are stated at cost less any identified impairment loss.

**Investments in securities**

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

Investments not held for trading purposes are measured at subsequent reporting dates at fair value, with unrealised gains and losses dealt with in reserves until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses are included in net profit or loss for the period.

**Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at each balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

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

Certain investment properties in Guam, U.S.A., which, in the opinion of the directors, are insignificant to the Group in terms of both market value and profit contribution, are carried at 1983 professional valuation less subsequent depreciation. Leasehold land and building structure are depreciated on a straight line basis over the unexpired term of the lease.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. SIGNIFICANT ACCOUNTING POLICIES – continued**

**Other properties**

Freehold land in Guam, U.S.A., which is held for its long term purpose, is stated at cost or valuation less any identified impairment loss. Cost includes the cost of purchase and other attributable expenses.

Leasehold land in Guam, U.S.A. is carried at cost, representing pre-paid lease payments, less amortisation. The cost of leasehold land is amortised over the term of the land lease on a straight line basis.

Advantage has been taken of the transitional relief provided by paragraph 80 of SSAP 17 “Property, plant and equipment” issued by the HKSA from the requirement to make regular revaluations of the Group’s land and buildings in Guam, other than certain investment properties, which had been carried at revalued amounts prior to 30th September, 1995.

Properties held for development are stated at cost less any identified impairment loss. Cost comprises the cost of land and, where appropriate, borrowing costs and other attributable expenses.

**Other fixed assets**

Other fixed assets are stated at cost less accumulated depreciation and any identified impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

The gain or loss arising from 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.

Depreciation is provided to write off the cost of other fixed assets over their anticipated useful lives on the reducing balance basis at the following annual rates:

Furniture and fixtures	10% - 20%
Office equipment and motor vehicles	25%

**Properties for sale**

Properties for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, development expenditure incurred and, where appropriate, financial expenses capitalised. Net realisable value is determined by management based on prevailing market conditions.

**Retirement benefit scheme**

Contributions payable in respect of the Group’s retirement benefit schemes are charged to the income statement.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. SIGNIFICANT ACCOUNTING POLICIES** – continued

**Foreign currencies**

Transactions denominated in currencies other than Hong Kong dollars are translated at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates of exchange ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

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

**Capitalisation of borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the year in which they are incurred.

**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 asset will crystallise in the foreseeable future.

**Leased assets**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. SIGNIFICANT ACCOUNTING POLICIES – continued**

**Impairment**

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

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

**Revenue recognition**

*Lease of properties*

Rental income from properties leased out under operating leases is accounted for on a straight line basis over the terms of the relevant lease.

*Sale of properties*

Revenue from sale of properties in Hong Kong is recognised when the sale and purchase agreement becomes unconditional and it is probable that the economic benefits associated with the sale will flow to the Group.

Revenue from sale of properties in Guam under instalment sale contracts is accounted for on the deposit method whereby the revenue from such sale is deferred and not recognised until settlement of the sale proceeds by the purchaser in full or upon transfer of the title of the property to the purchaser on receipt of a substantial amount of deposit by the Group.

*Investments*

Dividend from listed investments is recognised when the Group's rights to receive payment have been established.

*Interest income*

Interest income from bank deposits and loans receivable is recognised on a time proportion basis that takes into account the effective yield on the deposits and loans.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**4. TURNOVER AND SEGMENT INFORMATION**

The Group's turnover comprises rental from lease of properties and proceeds from sale of properties and is analysed as follows:

	<b>2002</b> <i>HK\$</i>	2001 <i>HK\$</i>
Lease of properties	<b>75,422,217</b>	75,079,021
Sale of properties	<b>129,792</b>	134,124
	<u><b>75,552,009</b></u>	<u>75,213,145</u>

**Business segments**

The businesses based upon which the Group reports its primary segment information are as follows:

- Property letting – lease of properties in Hong Kong and Guam, U.S.A.
- Land investment – Investment in land for long term purposes



**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31ST JANUARY, 2002

**4. TURNOVER AND SEGMENT INFORMATION** – continued

Revenue and Results

*For the year ended 31st January, 2002*

	<b>Property letting</b>	<b>Land investment</b>	<b>Other operations</b>	<b>Consolidated</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Segment revenue	72,133,284	–	3,418,725	75,552,009
Segment results	55,092,663	(58,000,000)	2,983,921	76,584
Interest and other income				4,679,215
Unallocated corporate expenses				(6,218,803)
Loss from operations				(1,463,004)
Finance costs				(8,903,465)
Share of results of associates	–	(275,653)	155,670	(119,983)
Loss before taxation				(10,486,452)
Taxation				(5,262,523)
Loss before minority interests				(15,748,975)
Minority interests				4,558,785
Net loss for the year				(11,190,190)

Assets and Liabilities

*At 31st January, 2002*

	<b>Property letting</b>	<b>Land investment</b>	<b>Other operations</b>	<b>Consolidated</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>ASSETS</b>				
Segment assets	1,048,542,267	100,469,043	13,070,767	1,162,082,077
Interests in associates	–	2,525,332	10,454,540	12,979,872
Other assets				74,230,103
				1,249,292,052
<b>LIABILITIES</b>				
Segment liabilities	19,332,857	180,362	–	19,513,219
Other liabilities				184,741,936
Other deferred items	–	–	794,309	794,309
				205,049,464

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**4. TURNOVER AND SEGMENT INFORMATION – continued**

Revenue and Results

*For the year ended 31st January, 2001*

	<b>Property letting HK\$</b>	<b>Land investment HK\$</b>	<b>Other operations HK\$</b>	<b>Consolidated HK\$</b>
Segment revenue	71,738,658	–	3,474,487	75,213,145
Segment results	53,959,117	–	2,995,288	56,954,405
Interest and other income				6,226,990
Unallocated corporate expenses				(5,543,784)
Profit from operations				57,637,611
Finance costs				(17,463,755)
Share of results of associates	–	(263,919)	774,228	510,309
Profit before taxation				40,684,165
Taxation				(5,609,019)
Profit before minority interests				35,075,146
Minority interests				(2,694,388)
Net profit for the year				32,380,758

Assets and Liabilities

*At 31st January, 2001*

	<b>Property letting HK\$</b>	<b>Land investment HK\$</b>	<b>Other operations HK\$</b>	<b>Consolidated HK\$</b>
<b>ASSETS</b>				
Segment assets	1,150,537,810	172,058,127	15,476,409	1,338,072,346
Interests in associates	–	2,450,805	9,761,222	12,212,027
Other assets				115,014,647
				1,465,299,020
<b>LIABILITIES</b>				
Segment liabilities	22,966,469	146,999	–	23,113,468
Other liabilities				248,543,232
Other deferred items	–	–	938,221	938,221
				272,594,921

**NOTES TO THE FINANCIAL STATEMENTS**  
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**4. TURNOVER AND SEGMENT INFORMATION** – continued

Depreciation and amortisation in respect of the year charged to the business segments of property letting and land investment amounted to HK\$16,575 (2001: HK\$16,575) and HK\$29,250 (2001: HK\$29,250) respectively. The Group's additions to other fixed assets amounted to HK\$721,663 (2001: Nil) are attributable to the property letting segment. In arriving at segment results, no significant non-cash expenses were charged.

**Geographical segments**

The following table provides an analysis of the Group's turnover and contribution to operations by geographical market:

	<b>Turnover</b>		<b>Contribution to (loss) profit from operations</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Hong Kong	<b>69,840,599</b>	69,670,032	<b>54,825,566</b>	53,585,134
Guam, U.S.A.	<b>5,711,410</b>	5,543,113	<b>(54,748,982)</b>	3,369,271
	<u><b>75,552,009</b></u>	<u>75,213,145</u>	<b>76,584</b>	56,954,405
Interest and other income			<b>4,679,215</b>	6,226,990
Unallocated corporate expenses			<b>(6,218,803)</b>	(5,543,784)
(Loss) profit from operations			<u><b>(1,463,004)</b></u>	<u>57,637,611</u>

An analysis of the Group's assets by geographical segments is shown below:

	<b>Carrying amounts of segment assets</b>	
	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong	<b>1,169,463,440</b>	1,300,415,757
Guam, U.S.A.	<b>79,828,612</b>	164,883,263
	<u><b>1,249,292,052</b></u>	<u>1,465,299,020</u>

The Group's additions to assets that are expected to be used during more than one year are located in Hong Kong.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**5. OTHER REVENUE**

	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>
Included in other revenue are:		
Interest on bank deposits	2,517,343	5,377,144
Other interest income	50,619	60,819
Dividends from listed investments	258,162	217,009
	<b>2,826,124</b>	<b>5,655,072</b>

**6. (LOSS) PROFIT FROM OPERATIONS**

	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>
(Loss) profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	601,336	478,994
Depreciation and amortisation in respect of:		
Investment properties	16,575	16,574
Other properties	29,250	29,250
Other fixed assets		
Owned assets	185,038	97,204
Assets under finance lease	110,530	96,181
Staff costs including directors' remuneration (Note)	5,026,007	5,058,203
Gross rental from properties, less outgoings of HK\$17,663,524 (2001: HK\$18,168,056)	(57,758,693)	(56,910,965)
	<b>(51,989,817)</b>	<b>(51,989,817)</b>

*Note:* Included in staff costs are contributions to retirement benefit scheme of HK\$133,552 (2001: HK\$163,981) which have been arrived at after deducting forfeited contributions of HK\$19,708 (2001: HK\$37,711).

**7. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES**

**(a) Directors' emoluments**

	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>
Directors' fees:		
Executive directors	40,000	40,000
Independent non-executive directors	30,000	20,000
Other emoluments to executive directors:		
Salaries and other benefits	735,825	474,620
Contributions to retirement benefit scheme	34,504	22,716
	<b>840,329</b>	<b>557,336</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**7. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES** – continued

**(b) Employees' emoluments**

The five highest paid individuals of the Group included one (2001: two) directors of the Company whose emoluments are included in the disclosure above. The emoluments of the remaining four (2001: three) individuals are as follows:

	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>
Salaries and other benefits	<b>1,107,137</b>	828,332
Contributions to retirement benefit scheme	<b>36,873</b>	24,216
	<b>1,144,010</b>	852,548
	<b>1,144,010</b>	852,548

The aggregate emoluments of each of the aforementioned employees are individually below HK\$1,000,000 for both years presented. Included in employees' emoluments are remunerations paid to the former Chairman of the Company amounted to HK\$298,320 (2001: HK\$298,320). The Group also paid consultancy fees of HK\$408,122 (2001: HK\$408,122) to the said former Chairman which are not included above.

**8. FINANCE COSTS**

	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>
Interests on:		
Bank loans and overdrafts	<b>8,876,305</b>	14,494,842
Finance leases	<b>27,160</b>	22,633
Other liabilities wholly repayable within five years	–	2,946,280
	<b>8,903,465</b>	17,463,755
	<b>8,903,465</b>	17,463,755

**NOTES TO THE FINANCIAL STATEMENTS**  
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**9. TAXATION**

	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax	4,890,264	5,206,748
Overseas tax	204,000	142,000
Deferred taxation (note 25)	168,259	154,569
	<b>5,262,523</b>	5,503,317
Associates		
Hong Kong Profits Tax	–	105,702
	<b>5,262,523</b>	5,609,019
	<b>5,262,523</b>	5,609,019

Hong Kong Profits Tax is calculated at 16% (2001: 16%) on the estimated assessable profit for the year. Overseas tax is calculated at the rates prevailing in the jurisdictions in which the Group operates.

Details of the potential deferred taxation not recognised are set out in note 25.

**10. NET (LOSS) PROFIT FOR THE YEAR**

Of the Group's net (loss) profit for the year, a profit of HK\$42,953,930 (2001: HK\$16,813,158) has been dealt with in the financial statements of the Company.

**11. DIVIDENDS**

	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>
Interim dividend paid:		
10 HK cents (2001: 8 HK cents) per ordinary share	6,776,000	5,420,800
Final dividend proposed:		
20 HK cents (2001: 25 HK cents) per ordinary share	13,552,000	16,940,000
	<b>20,328,000</b>	22,360,800
	<b>20,328,000</b>	22,360,800

The final dividend for the year has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

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**12. (LOSS) EARNINGS PER SHARE**

The calculation of the basic (loss) earnings per share is based on the net loss for the year of HK\$11,190,190 (2001: net profit of HK\$32,380,758) and on 67,760,000 (2001: 67,760,000) ordinary shares in issue during the year.

**13. INVESTMENT PROPERTIES**

	<b>Land and buildings in Hong Kong <i>HK\$</i></b>	<b>Land and buildings in Guam, U.S.A. <i>HK\$</i></b>	<b>Total <i>HK\$</i></b>
<b>THE GROUP</b>			
<b>VALUATION</b>			
At 1st February, 2001	1,118,400,000	28,704,000	1,147,104,000
Decrease on revaluation	<u>(87,000,000)</u>	<u>(13,260,000)</u>	<u>(100,260,000)</u>
At 31st January, 2002	<u>1,031,400,000</u>	<u>15,444,000</u>	<u>1,046,844,000</u>
<b>DEPRECIATION</b>			
At 1st February, 2001	–	2,716,350	2,716,350
Provided for the year	<u>–</u>	<u>16,575</u>	<u>16,575</u>
At 31st January, 2002	<u>–</u>	<u>2,732,925</u>	<u>2,732,925</u>
<b>NET BOOK VALUES</b>			
At 31st January, 2002	<u>1,031,400,000</u>	<u>12,711,075</u>	<u>1,044,111,075</u>
At 31st January, 2001	<u>1,118,400,000</u>	<u>25,987,650</u>	<u>1,144,387,650</u>
			<b>Land and buildings in Guam, U.S.A. <i>HK\$</i></b>
<b>THE COMPANY</b>			
<b>VALUATION</b>			
At 1st February, 2001			24,960,000
Decrease on revaluation			<u>(13,260,000)</u>
At 31st January, 2002			<u>11,700,000</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**13. INVESTMENT PROPERTIES** – continued

An analysis of the valuation of the Group's and the Company's investment properties is set out below:

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Land and buildings at professional valuation:				
In Hong Kong on				
– long leases	<b>664,000,000</b>	716,400,000	–	–
– medium-term leases	<b>367,400,000</b>	402,000,000	–	–
	<b>1,031,400,000</b>	1,118,400,000	–	–
In Guam, U.S.A.				
on freehold land	<b>11,700,000</b>	24,960,000	<b>11,700,000</b>	24,960,000
	<b>1,043,100,000</b>	1,143,360,000	<b>11,700,000</b>	24,960,000
Other land and buildings in Guam, U.S.A. at 1983 professional valuation on:				
– medium-term lease	<b>2,418,000</b>	2,418,000	–	–
– freehold land	<b>1,326,000</b>	1,326,000	–	–
	<b>1,046,844,000</b>	1,147,104,000	<b>11,700,000</b>	24,960,000

The investment properties of the Group in Hong Kong at 31st January, 2002 are carried at their open market value at that date as valued by DTZ Debenham Tie Leung Limited. The investment properties of the Group and the Company in Guam, U.S.A. at 31st January, 2002, with a carrying value of HK\$11,700,000 (2001: HK\$24,960,000) are carried at their open market value at that date as valued by Micronesia Appraisal Associates, Inc.. The valuers are independent firms of property valuers.

Other land and buildings in Guam at 1983 professional valuation which, in the opinion of the directors, are insignificant to the Group in terms of both market value and profit contribution, are carried at 1983 professional valuation less subsequent depreciation.



**NOTES TO THE FINANCIAL STATEMENTS**  
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**14. OTHER PROPERTIES**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Land in Guam, U.S.A.				
Freehold				
At cost	<b>25,884,216</b>	48,804,776	<b>21,535,951</b>	22,473,461
At cost less impairment	<b>20,202,000</b>	–	–	–
At professional valuation				
– 1975	–	68,841,274	–	–
– 1983	<b>14,981,312</b>	14,981,312	–	–
Leasehold land				
At cost less amortisation	<b>1,374,750</b>	1,404,000	–	–
	<b>62,442,278</b>	134,031,362	<b>21,535,951</b>	22,473,461
Properties in Hong Kong on medium-term lease held for development, at cost	<b>38,026,765</b>	38,026,765	–	–
	<b>100,469,043</b>	172,058,127	<b>21,535,951</b>	22,473,461

SSAP 31 “Impairment of assets” has become effective for the current year which requires recoverable amount of assets be determined based on their market value or value in use. Accordingly, the directors have reviewed the recoverable amounts of the Group’s land in Guam, U.S.A. by reference to the valuation conducted by an independent property valuer subsequent to the balance sheet date. As a result, certain freehold land, which was previously carried at cost or 1975 professional valuation, has been written down in order to conform with SSAP 31. The carrying value of the freehold land so reduced amounted to HK\$71,559,834, of which HK\$58,000,000 has been charged to the income statement and the remaining balance dealt with in reserves or as an adjustment against minority interests. The written down value of such land has been separately shown as freehold land at cost less impairment.

In order to conform with SSAP 14 (Revised), the leasehold land in Guam, U.S.A., representing land held on medium-term lease which was previously carried at 1983 professional valuation of HK\$5,460,000, has been restated at cost less amount amortised. The effect on such change in accounting policy is to reduce the carrying value of the land and reserves at 31st January, 2002 by HK\$4,085,250 and HK\$3,386,162 respectively.

The Group’s land in Guam, U.S.A., is held for long term purpose. If such land had not been revalued, it would have been included at the book value on a historical cost basis less impairment of approximately HK\$61,710,000 (2001: HK\$119,739,000).

**NOTES TO THE FINANCIAL STATEMENTS**  
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**15. OTHER FIXED ASSETS**

	<b>Furniture, fixtures, office equipment and motor vehicles</b> <i>HK\$</i>
<b>THE GROUP</b>	
COST	
At 1st February, 2001	1,977,462
Additions	794,663
Disposals	<u>(145,994)</u>
At 31st January, 2002	<u>2,626,131</u>
DEPRECIATION	
At 1st February, 2001	1,288,256
Provided for the year	295,568
Eliminated on disposals	<u>(102,967)</u>
At 31st January, 2002	<u>1,480,857</u>
NET BOOK VALUES	
At 31st January, 2002	<u><u>1,145,274</u></u>
At 31st January, 2001	<u><u>689,206</u></u>
<b>THE COMPANY</b>	
COST	
At 1st February, 2001 and at 31st January, 2002	<u>1,082,536</u>
DEPRECIATION	
At 1st February, 2001	651,361
Provided for the year	<u>102,527</u>
At 31st January, 2002	<u>753,888</u>
NET BOOK VALUES	
At 31st January, 2002	<u><u>328,648</u></u>
At 31st January, 2001	<u><u>431,175</u></u>

The net book value of the Group's fixed assets shown above includes an amount of HK\$331,589 (2001: HK\$442,119) in respect of assets held under finance leases.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**16. INTERESTS IN SUBSIDIARIES**

	<b>THE COMPANY</b>	
	<b>2002</b>	2001
	<b>HK\$</b>	<b>HK\$</b>
Unlisted shares		
– at cost	<b>10,510,000</b>	10,510,000
– at 1976 directors' valuation	<b>34,475,000</b>	34,475,000
	<b>44,985,000</b>	44,985,000
Amounts due from subsidiaries	<b>382,801,342</b>	326,474,976
	<b>427,786,342</b>	371,459,976

Particulars of the subsidiaries at 31st January, 2002 which are incorporated and operating in Hong Kong, except otherwise indicated, are as follows:

Name of company	Class of shares held	Number of shares	Particulars of issued capital		Proportion of nominal value of issued capital held by the Company		Principal activities
			Par value per share		Directly %	Indirectly %	
James S. Lee & Company Clothing Mill (Hong Kong) Limited	Ordinary	20,000	HK\$100		87.25	–	Property investment and investment holding
Dynasty Hotel Limited	Ordinary	15,000	HK\$100		100	–	Property investment and investment holding
Oxford Construction Company Limited	Ordinary	5,000	HK\$100		100	–	Inactive
Pacific Interests, Inc. (note i)	Common stock	2,000,000	US\$1		100	–	Property investment
Oxford Finance Company Limited	Ordinary	10,000,000	HK\$1		100	–	Inactive
International Peaceful Interests Limited	Ordinary	10,000	HK\$1		100	–	Provision of property agency services and investment holding
House of Fashion Limited	Ordinary	1,000	HK\$100		–	88	Investment holding

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**16. INTERESTS IN SUBSIDIARIES** – continued

Name of company	Class of shares held	Particulars of issued capital		Proportion of nominal value of issued capital held by the Company		Principal activities
		Number of shares	Par value per share	Directly %	Indirectly %	
James S. Lee & Company (Kowloon) Limited	Ordinary	1,000	HK\$1,000	–	95	Property investment and investment holding
Guam Yokoi Look Limited	Ordinary	2	HK\$200	–	100	Investment holding
First Island Industry, Inc. (note i)	Common stock	4,500,000	US\$1	–	100	Property investment and development
Guam United Trading Services & Financing Company, Inc. (note i)	Common stock	19,998	US\$1	–	100	Property investment
James S. Lee & Co. (Guam) Limited (note i)	Common stock	1,000	US\$100	–	100	Property investment and investment holding
Trisight (BVI) Limited (note ii)	Ordinary	1	HK\$1	–	100	Investment holding
Trisight Limited	Ordinary	100,000	HK\$1	–	100	Property investment
Link Consultants Limited (note iii)	Common stock	5,000	US\$1	–	100	Investment holding
Bermuda Consultants Limited	Ordinary	1,000	HK\$1	–	100	Property investment

*Notes:*

- (i) Incorporated and operated in Guam, U.S.A.
- (ii) Incorporated in the British Virgin Islands
- (iii) Incorporated in Bahama

**NOTES TO THE FINANCIAL STATEMENTS**  
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**17. INTERESTS IN ASSOCIATES**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Unlisted associates:				
Shares, at cost	–	–	<b>250,000</b>	250,000
Share of attributable net assets	<b>3,747,628</b>	6,949,162	–	–
	<b>3,747,628</b>	6,949,162	<b>250,000</b>	250,000
Amount due from an associate	<b>9,232,244</b>	5,262,865	–	–
	<b>12,979,872</b>	12,212,027	<b>250,000</b>	250,000

Particulars of the associates at 31st January, 2002 are as follows:

Name of company	Place of incorporation and operation	Class of shares held	Proportion of nominal value of issued capital held by the Group %	Principal activities
Modern Aspac Development Company Limited	Hong Kong	Ordinary	50	Investment holding
Guam Tourist Development Company	Guam, U.S.A.	Common stock	50	Property investment

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**18. INVESTMENTS IN SECURITIES**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Not held for trading equity securities:				
Listed in Hong Kong	<b>6,642,618</b>	9,048,260	-	-
Unlisted	<b>188,500</b>	188,500	-	-
Less: impairment	<b>(188,499)</b>	(188,499)	-	-
	<u><b>6,642,619</b></u>	<u>9,048,261</u>	<u>-</u>	<u>-</u>
Unlisted club debentures	<b>80,000</b>	80,000	<b>80,000</b>	80,000
	<u><b>6,722,619</b></u>	<u>9,128,261</u>	<u><b>80,000</b></u>	<u>80,000</u>
Market value of listed securities	<u><b>6,642,618</b></u>	<u>9,048,260</u>	<u>-</u>	<u>-</u>

**19. TRADE AND OTHER RECEIVABLES**

The Group does not allow any credit period to its trade customers. The following is an aged analysis of trade and other receivables at the reporting date:

	<b>THE GROUP</b>	
	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>
0 - 60 days	<b>3,120,987</b>	4,322,567
61 - 90 days	<b>455,210</b>	614,058
Over 90 days	<b>854,995</b>	1,213,535
	<u><b>4,431,192</b></u>	<u>6,150,160</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**20. TRADE AND OTHER PAYABLES**

The following is an analysis of trade and other payables at the reporting date:

	<b>THE GROUP</b>	
	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>
Trade payables due between 0 - 60 days	<b>2,891,209</b>	6,124,212
Other payables (Note)	<b>31,724,940</b>	64,581,562
	<u><b>34,616,149</b></u>	<u>70,705,774</u>

*Note:*

Other payables outstanding at 31st January, 2002 represents unclaimed dividends payable to shareholders (2001: HK\$25,508,567).

Included in other payables at 31st January, 2001 were amounts of HK\$32,712,367 and HK\$5,648,191 due to a minority shareholder of a subsidiary and the Company's former Chairman respectively. The amount due to the minority shareholder of a subsidiary was unsecured and carried interest at Hong Kong prime rate plus one percent. The amount due to the former Chairman was unsecured and interest free. These amounts were fully repaid during the year.

**21. SHARE CAPITAL**

	<b>THE GROUP AND THE COMPANY 2002 &amp; 2001 <i>HK\$</i></b>
Authorised:	
100,000,000 ordinary shares of HK\$1 each	<u>100,000,000</u>
Issued and fully paid:	
67,760,000 ordinary shares of HK\$1 each	<u>67,760,000</u>

At 31st January, 2002, a total of 533,400 (2001: 533,400) issued shares of the Company were owned by an associate.

There was no movement in the share capital of the Company for the two years ended 31st January, 2002.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**22. RESERVES**

	Investment property revaluation reserve <i>HK\$</i>	Investment securities revaluation reserve <i>HK\$</i>	Negative goodwill <i>HK\$</i>	Exchange equalisation reserve <i>HK\$</i>	Other reserves <i>HK\$</i>	Dividend reserve <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
<b>THE GROUP</b>								
At 1st February, 2000								
– as originally stated	646,020,612	7,374,284	–	16,900,742	27,342,151	–	313,188,869	1,010,826,658
Prior year adjustments (note 2)								
– derecognition of liability for 2000 final dividend	–	–	–	–	–	13,552,000	–	13,552,000
– adjustment to conform with SSAP 14 (Revised)	–	–	–	–	(13,939,025)	–	(751,582)	(14,690,607)
– reclassifications	–	–	6,114,458	–	(6,114,458)	–	–	–
	<u>646,020,612</u>	<u>7,374,284</u>	<u>6,114,458</u>	<u>16,900,742</u>	<u>7,288,668</u>	<u>13,552,000</u>	<u>312,437,287</u>	<u>1,009,688,051</u>
– as restated	646,020,612	7,374,284	6,114,458	16,900,742	7,288,668	13,552,000	312,437,287	1,009,688,051
2000 final dividend paid	–	–	–	–	–	(13,552,000)	–	(13,552,000)
Net decrease on revaluation of investment properties adjusted for minority interests	(4,356,978)	–	–	–	–	–	–	(4,356,978)
Increase on revaluation of investments in securities held by								
– subsidiaries, adjusted for minority interests	–	2,139,458	–	–	–	–	–	2,139,458
– associates	–	2,167,379	–	–	–	–	–	2,167,379
Net profit for the year	–	–	–	–	–	–	32,380,758	32,380,758
Interim dividend paid	–	–	–	–	–	–	(5,420,800)	(5,420,800)
Amount set aside for 2001 final dividend	–	–	–	–	–	16,940,000	(16,940,000)	–
	<u>641,663,634</u>	<u>11,681,121</u>	<u>6,114,458</u>	<u>16,900,742</u>	<u>7,288,668</u>	<u>16,940,000</u>	<u>322,457,245</u>	<u>1,023,045,868</u>
At 31st January, 2001	641,663,634	11,681,121	6,114,458	16,900,742	7,288,668	16,940,000	322,457,245	1,023,045,868
2001 final dividend paid	–	–	–	–	–	(16,940,000)	–	(16,940,000)
Reclassifications	(14,211,052)	–	–	–	14,211,052	–	–	–
Net decrease on revaluation of investment properties adjusted for minority interests	(95,245,125)	–	–	–	–	–	–	(95,245,125)
(Decrease) increase on revaluation of investments in securities held by								
– subsidiaries, adjusted for minority interests	–	(2,405,298)	–	–	–	–	–	(2,405,298)
– associates	–	537,649	–	–	–	–	–	537,649
Reversal of increase on revaluation of properties adjusted for minority interests (note 14)	–	–	–	–	(11,845,974)	–	–	(11,845,974)
Net loss for the year	–	–	–	–	–	–	(11,190,190)	(11,190,190)
Unclaimed dividends written back	–	–	–	–	–	–	3,946,291	3,946,291
Interim dividend paid	–	–	–	–	–	–	(6,776,000)	(6,776,000)
Amount set aside for 2002 final dividend	–	–	–	–	–	13,552,000	(13,552,000)	–
	<u>532,207,457</u>	<u>9,813,472</u>	<u>6,114,458</u>	<u>16,900,742</u>	<u>9,653,746</u>	<u>13,552,000</u>	<u>294,885,346</u>	<u>883,127,221</u>
At 31st January, 2002	532,207,457	9,813,472	6,114,458	16,900,742	9,653,746	13,552,000	294,885,346	883,127,221



**NOTES TO THE FINANCIAL STATEMENTS**  
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**22. RESERVES** – continued

The negative goodwill is arrived at after deducting goodwill on consolidation amounted to HK\$3,066,187 (2001: HK\$3,066,187).

The Group's retained profits attributable to associates at 31st January, 2002 amounted to HK\$563,450 (2001: HK\$636,262).

	Other reserves <i>HK\$</i>	Dividend reserve <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
<b>THE COMPANY</b>				
At 1st February, 2000				
– as originally stated	185,904	–	22,972,784	23,158,688
Prior year adjustment (note 2)				
– derecognition of liability for 2000 final dividend	–	13,552,000	–	13,552,000
– derecognition of 2000 final dividend declared by subsidiaries	–	–	(15,705,000)	(15,705,000)
	<u>185,904</u>	<u>13,552,000</u>	<u>7,267,784</u>	<u>21,005,688</u>
– as restated	185,904	13,552,000	7,267,784	21,005,688
2000 final dividend paid	–	(13,552,000)	–	(13,552,000)
Net profit for the year	–	–	16,813,158	16,813,158
Interim dividend paid	–	–	(5,420,800)	(5,420,800)
Amount set aside for 2001 final dividend	–	16,940,000	(16,940,000)	–
	<u>185,904</u>	<u>16,940,000</u>	<u>1,720,142</u>	<u>18,846,046</u>
At 31st January, 2001	185,904	16,940,000	1,720,142	18,846,046
2001 final dividend paid	–	(16,940,000)	–	(16,940,000)
Net profit for the year	–	–	42,953,930	42,953,930
Unclaimed dividends written back	–	–	3,946,291	3,946,291
Interim dividend paid	–	–	(6,776,000)	(6,776,000)
Amount set aside for 2002 final dividend	–	13,552,000	(13,552,000)	–
	<u>185,904</u>	<u>13,552,000</u>	<u>28,292,363</u>	<u>42,030,267</u>
At 31st January, 2002	<u>185,904</u>	<u>13,552,000</u>	<u>28,292,363</u>	<u>42,030,267</u>

The Company's reserves available for distribution to shareholders at 31st January, 2002 represent retained profits of HK\$28,292,363 (2001: HK\$1,702,142) and dividend reserve of HK\$13,552,000 (2001: HK\$16,940,000).

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**23. BANK LOANS**

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Secured bank loans repayable:				
– Within one year	<b>33,341,169</b>	29,431,143	<b>721,373</b>	1,205,947
– More than one year, but not exceeding two years	<b>34,768,265</b>	30,948,450	<b>767,469</b>	1,329,040
– More than two years, but not exceeding five years	<b>64,789,897</b>	83,954,323	<b>3,398,195</b>	4,854,323
– More than five years	<b>4,862,963</b>	7,815,559	<b>4,862,963</b>	7,815,559
	<u><b>137,762,294</b></u>	<u>152,149,475</u>	<u><b>9,750,000</b></u>	<u>15,204,869</u>
Less: Amount due within one year shown under current liabilities	<u><b>(33,341,169)</b></u>	<u>(29,431,143)</u>	<u><b>(721,373)</b></u>	<u>(1,205,947)</u>
Amount due after one year	<u><u><b>104,421,125</b></u></u>	<u><u>122,718,332</u></u>	<u><u><b>9,028,627</b></u></u>	<u><u>13,998,922</u></u>

**24. OBLIGATIONS UNDER FINANCE LEASES**

	<b>THE GROUP</b>	
	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>
Obligations under finance leases maturing:		
Within one year	<b>95,060</b>	95,060
More than one year, but not exceeding two years	<b>158,433</b>	95,060
More than two years, but not exceeding five years	<u>–</u>	<u>158,433</u>
	<b>253,493</b>	348,553
Less: Amount due within one year shown under current liabilities	<u><b>(95,060)</b></u>	<u>(95,060)</u>
Amount due after one year	<u><u><b>158,433</b></u></u>	<u><u>253,493</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31ST JANUARY, 2002

**25. DEFERRED TAXATION**

	<b>THE GROUP</b>	
	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>
Deferred taxation attributable to excess of tax allowances over depreciation:		
Balance at beginning of the year	<b>1,599,240</b>	1,444,671
Charge for the year (note 9)	<b>168,259</b>	154,569
	<u>1,767,499</u>	<u>1,599,240</u>
Balance at end of the year	<u><b>1,767,499</b></u>	<u>1,599,240</u>

At the balance sheet date, the major components of unprovided deferred tax asset (liability) were as follows:

	<b>THE GROUP</b>	
	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	<b>(2,240,281)</b>	(2,201,601)
Tax losses	<b>3,798,555</b>	5,385,324
Other timing differences	<b>19,720,000</b>	–
	<u><b>21,278,274</b></u>	<u>3,183,723</u>

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

	<b>THE GROUP</b>	
	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>
Tax effect of timing differences because of:		
Differences between tax allowances and depreciation	<b>(38,680)</b>	975,762
Tax losses (utilised) arising	<b>(1,586,769)</b>	349,934
Other timing differences	<b>19,720,000</b>	–
	<u><b>(18,094,551)</b></u>	<u>1,325,696</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31ST JANUARY, 2002

**25. DEFERRED TAXATION** – continued

The other timing differences arising during the year represent deferred tax asset attributable to the impairment loss on land in Guam, U.S.A.

A deferred tax asset has not been recognised in the financial statements as it is not certain that the tax assets will crystallise in the foreseeable future.

Deferred tax has not been provided on the increase arising on revaluation of the Group's assets in Hong Kong held for long term investment purposes as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation increases do not constitute a timing difference for tax purposes.

Deferred tax has not been provided on the increase arising on revaluation of the Group's overseas properties as they are held for long term investment purposes, accordingly the attributable deferred taxation is not expected to be crystallisable in the foreseeable future.

The Company had no material deferred taxation not accounted for in the financial statements.

**26. OTHER DEFERRED ITEMS**

	<b>THE GROUP</b>	
	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>
Income on sale of properties:		
Deposits and interests received	<b>1,396,870</b>	1,610,846
Less: Cost of properties sold under instalment contracts	<b>(285,934)</b>	(356,000)
Attributable income tax	<b>(316,627)</b>	(316,625)
	<b>794,309</b>	938,221
	<b>794,309</b>	938,221

Certain of the Group's properties in Guam, U.S.A. have been sold for an aggregate consideration of approximately HK\$1.1 million (2001: HK\$1.1 million) under instalment sales contracts which require a minimum of 10% down payment with interest chargeable on the outstanding balance at 10% per annum. Under the terms of the contract, title to the properties sold does not pass to the buyer until the purchase price has been fully settled or when the buyer requests transfer of title upon payment of 50% or more of the purchase price.

**27. AMOUNTS DUE TO SUBSIDIARIES**

The amounts due to subsidiaries are unsecured and interest free. Repayment of the amounts will not be demanded within twelve months from the balance sheet date, accordingly the amounts are classified as non-current.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY, 2002

### 28. RECONCILIATION OF (LOSS) PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>
(Loss) profit before taxation	(10,486,452)	40,684,165
Impairment loss on properties	58,000,000	–
Share of results of associates	119,983	(510,309)
Depreciation and amortisation	341,393	239,209
Interest expenses	8,903,465	17,463,755
Interest income	(2,567,962)	(5,437,963)
Dividend income	(258,162)	(217,009)
Loss on disposal of other fixed assets	43,027	–
Movements in assets/liabilities held for operating activities:		
Decrease in trade and other receivables	1,718,968	1,162,402
Increase in deposits and prepayments	(185,309)	(186,557)
Decrease in trade and other payables	(42,343,070)	(7,240,580)
(Decrease) increase in deposits and accrued expenses	(1,431,956)	2,962,866
(Decrease) increase in other deferred items	(143,912)	18,646
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b><u>11,710,013</u></b>	<b><u>48,938,625</u></b>

### 29. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	<b>Bank loans</b>	<b>Obligations under finance leases</b>
	<i>HK\$</i>	<i>HK\$</i>
Balance at 1st February, 2000	161,762,717	–
Inception of finance leases	–	427,770
Cash outflow from financing	(9,613,242)	(79,217)
Balance at 31st January, 2001	152,149,475	348,553
Cash outflow from financing	(14,387,181)	(95,060)
Balance at 31st January, 2002	<b><u>137,762,294</u></b>	<b><u>253,493</u></b>

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 31ST JANUARY, 2002

**30. OPERATING LEASE COMMITMENTS**

**The Group as lessor**

At the balance sheet date, investment properties, other properties and properties for sale with a carrying value of approximately HK\$764 million (2001: HK\$922 million), HK\$38 million (2001: HK\$39 million) and HK\$5.3 million (2001: HK\$5.3 million) respectively were let out under operating leases. Property rental income earned during the year is HK\$75.4 million (2001: HK\$75.1 million) of which HK\$71.6 million (2001: HK\$71.3 million) was derived from the letting of investment properties. A substantial portion of the Group's properties leased out comprised of investment properties with committed tenants for one to three years without termination options.

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

	<b>THE GROUP</b>	
	<b>2002</b>	2001
	<i>HK\$</i>	<i>HK\$</i>
Within one year	<b>37,637,000</b>	48,742,000
In the second to fifth years inclusive	<b>14,768,000</b>	43,402,000
After five years	<b>6,123,000</b>	6,374,000
	<u><b>58,528,000</b></u>	<u>98,518,000</u>

**31. PLEDGE OF ASSETS**

At the balance sheet date, properties of the Group with an aggregate book value of approximately HK\$823 million (2001: HK\$903 million) were mortgaged or charged to banks for credit facilities granted to the Group.

**32. CONTINGENT LIABILITIES**

At the balance sheet date, the Company had issued guarantees to the extent of approximately HK\$281,200,000 (2001: HK\$281,200,000) for banking facilities granted to subsidiaries, of which approximately HK\$128,021,000 (2001: HK\$167,021,000) was utilised as at that date.

**33. POST BALANCE SHEET EVENT**

In the public announcement of the Company dated 18th April, 2002, the Company proposed a rights issue of not less than 13,555,276 new shares of HK\$1 each, representing approximately 20% of the existing issued shares of the Company, at a subscription price of HK\$8 per share to shareholders, other than those shareholders owning a total of 89.16% interest in the issued capital of the Company.