

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

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 property investment and development, investment holding, and provision of property agency services.

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 Practices (“SSAP(s)”) issued by the Hong Kong Society of Accountants (“HKSA”) which has resulted in the adoption of the following new and revised accounting policies. The adoption of these SSAPs has resulted in a change in the format of presentation of the consolidated cash flow statement and the introduction of the consolidated statement of changes in equity but has had no material effect on the results for the current or prior accounting periods.

Foreign currencies

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

Cash flow statements

In the current period, the Group has adopted SSAP 15 (Revised) “Cash Flow Statements”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing activities, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as either investing or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of subsidiaries operating outside Hong Kong have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange prevailing on the balance sheet date.

Employee benefits

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Goodwill/negative goodwill – continued

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.

Investments 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.

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. 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 the 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.

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
FOR THE YEAR ENDED 31ST JANUARY, 2003

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Investment properties – continued

Previously, certain investment properties in Guam, U.S.A., which, in the opinion of the directors, were insignificant to the Group, were carried at 1983 professional valuation less subsequent depreciation. Commencing from the current year, in order to bring these properties in line with other investment properties of the Group, such properties are carried at their open market value at the balance sheet date based on independent professional valuations.

Such change in accounting policy has resulted in increases in the net profit for the year, the investment properties and the minority interests of HK\$2,265,253, HK\$1,523,925 and HK\$260,782 respectively and a decrease in the investment property revaluation reserve of HK\$1,002,110. No prior year adjustments have been made as the effects of such change in accounting policy on prior year's financial statements are immaterial.

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 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%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

Foreign currencies

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leases

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

All other leases are classified as operating leases and the rental income earned from assets under leases is recognised on a straight-line basis over the relevant lease term.

Impairment

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

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 SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

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

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.

Sale of properties in Guam, U.S.A., under instalment sale contracts is accounted for on the deposit method whereby the revenue from such sale is deferred and not recognised until the settlement of the sales 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition – continued

Investments

Dividends from listed investments are 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.

4. TURNOVER AND SEGMENT INFORMATION

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

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Lease of properties	67,714,791	75,422,217
Sale of properties	–	129,792
	<u>67,714,791</u>	<u>75,552,009</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, 2003

4. TURNOVER AND SEGMENT INFORMATION – continued

Revenue and Results

For the year ended 31st January, 2003

	Property letting HK\$	Land investment HK\$	Other operations HK\$	Consolidated HK\$
Segment revenue				
External	65,452,696	–	2,262,095	67,714,791
	<u>65,452,696</u>	<u>–</u>	<u>2,262,095</u>	<u>67,714,791</u>
Segment results	51,108,030	(2,896,000)	1,915,350	50,127,380
	<u>51,108,030</u>	<u>(2,896,000)</u>	<u>1,915,350</u>	<u>50,127,380</u>
Interest and other income				1,020,181
Unallocated corporate expenses				(10,787,230)
				<u>1,020,181</u>
Profit from operations				40,360,331
Finance costs				(4,997,649)
Share of results of associates	–	(267,240)	354,742	87,502
				<u>87,502</u>
Profit before taxation				35,450,184
Taxation				(5,097,718)
				<u>35,450,184</u>
Profit before minority interests				30,352,466
Minority interests				(2,943,102)
				<u>30,352,466</u>
Net profit for the year				<u>27,409,364</u>

Assets and Liabilities

At 31st January, 2003

	Property letting HK\$	Land investment HK\$	Other operations HK\$	Consolidated HK\$
ASSETS				
Segment assets	857,859,288	97,543,793	12,180,262	967,583,343
Interests in associates	–	2,521,754	8,019,119	10,540,873
Unallocated corporate assets				75,352,711
				<u>75,352,711</u>
				<u>1,053,476,927</u>
LIABILITIES				
Segment liabilities	18,612,962	177,828	–	18,790,790
Unallocated corporate liabilities				177,313,850
Other deferred items	–	–	796,604	796,604
				<u>796,604</u>
				<u>196,901,244</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

4. TURNOVER AND SEGMENT INFORMATION – continued

Revenue and results

For the year ended 31st January, 2002

	Property letting	Land investment	Other operations	Consolidated
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Segment revenue				
External	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

	Property letting	Land investment	Other operations	Consolidated
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
ASSETS				
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
Unallocated corporate assets				74,230,103
				1,249,292,052
LIABILITIES				
Segment liabilities	19,332,857	180,362	–	19,513,219
Unallocated corporate liabilities				187,036,936
Other deferred items	–	–	794,309	794,309
				207,344,464

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

4. TURNOVER AND SEGMENT INFORMATION – continued

Other information

	Property letting		Land investment	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Depreciation and amortisation	–	16,575	29,250	29,250
Allowances for doubtful debts	1,242,530	3,854,867	–	–
Impairment losses on properties recognised	–	–	2,896,000	58,000,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Geographical segments

Turnover of the Group by geographical market:

	Turnover	
	2003	2002
	HK\$	HK\$
Hong Kong	63,206,728	69,840,599
Guam, U.S.A.	4,508,063	5,711,410
	<u> </u>	<u> </u>
	67,714,791	75,552,009
	<u> </u>	<u> </u>

The Group's assets by geographical segments:

	Carrying amounts of segment assets	
	2003	2002
	HK\$	HK\$
Hong Kong	978,209,636	1,169,463,440
Guam, U.S.A.	75,267,291	79,828,612
	<u> </u>	<u> </u>
	1,053,476,927	1,249,292,052
	<u> </u>	<u> </u>

The additions to assets of the Group that are expected to be used for more than one year in respect of both periods presented are located in Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

5. OTHER OPERATING INCOME

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Included in other operating income are:		
Interest on bank deposits	813,480	2,517,343
Other interest income	–	50,619
Dividends from listed investments	280,814	258,162
	1,374,704	2,826,124

6. OTHER OPERATING EXPENSES

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Legal, professional and other fees in relation to:		
Proposed open offer of new shares in the Company	1,586,269	–
Other corporate and legal consultancy services rendered	2,642,037	–
	4,228,306	–

7. PROFIT (LOSS) FROM OPERATIONS

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Profit (loss) from operations has been arrived at after charging (crediting):		
Auditors' remuneration	706,407	601,336
Depreciation and amortisation in respect of		
Investment properties	–	16,575
Other properties	29,250	29,250
Other fixed assets		
Owned assets	273,844	185,038
Assets held under finance leases	82,897	110,530
Staff costs including directors' remuneration (<i>Note</i>)	6,603,783	5,026,007
Gross rentals from properties, less outgoings of HK\$17,705,150 (2002: HK\$17,663,524)	(50,009,641)	(57,758,693)
Depreciation on investment properties written back included in cost of rental operations (<i>Note 3</i>)	(2,732,925)	–
	(2,732,925)	–

Note: Included in staff costs are contributions to retirement benefit schemes of HK\$163,701 (2002: HK\$133,552). No forfeited contribution was utilised to reduce the current year's contributions (2002: HK\$19,708).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

8. EMOLUMENTS OF DIRECTORS AND SENIOR EMPLOYEES

(a) Directors' emoluments

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Directors' fees		
Executive directors	30,000	40,000
Non-executive directors	20,000	–
Independent non-executive directors	30,000	30,000
Other emoluments to executive directors		
Salaries and other benefits	1,485,355	735,825
Contributions to retirement benefit schemes	50,265	34,504
Compensation to non-executive directors who are members of Special Committee to deal with issues raised in an Inspector's report	800,000	–
	<u>2,415,620</u>	<u>840,329</u>

The aggregate emoluments of the directors are individually below HK\$1,000,000 for the years presented.

(b) Employees' emoluments

The five highest paid individuals of the Group included four (2002: one) director(s) of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining one (2002: four) individual(s) are as follows:

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Salaries and other benefits	400,000	1,107,137
Contributions to retirement benefit scheme	5,000	36,873
	<u>405,000</u>	<u>1,144,010</u>

The aggregate emoluments of the employees whose remunerations are included above are individually below HK\$1,000,000 for the years presented.

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FOR THE YEAR ENDED 31ST JANUARY, 2003

9. FINANCE COSTS

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Interest on:		
Bank loans and overdrafts		
Wholly repayable within five years	4,411,770	8,291,303
Not wholly repayable within five years	558,719	585,002
Finance leases	27,160	27,160
	4,997,649	8,903,465
	4,997,649	8,903,465

10. TAXATION

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax	4,774,162	4,890,264
Overseas tax	132,000	204,000
Deferred taxation (<i>Note 25</i>)	105,580	168,259
	5,011,742	5,262,523
Associates		
Hong Kong Profits Tax	85,976	–
	5,097,718	5,262,523
	5,097,718	5,262,523

Hong Kong Profits Tax is calculated at 16% (2002: 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.

NOTES TO THE FINANCIAL STATEMENTS
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11. DIVIDENDS

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Ordinary shares		
Interim, paid		
HK8 cents (2002: HK10 cents) per share	5,420,800	6,776,000
Final, proposed		
Nil (2002: HK20 cents) per share	–	13,552,000
	5,420,800	20,328,000
	5,420,800	20,328,000

The directors do not recommend the payment of a final dividend.

12. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the net profit for the year of HK\$27,409,364 (2002: net loss of HK\$11,190,190) and on 67,760,000 (2002: 67,760,000) ordinary shares in issue during the year.

13. INVESTMENT PROPERTIES

	Land and buildings in Hong Kong <i>HK\$</i>	Land and buildings in Guam, U.S.A. <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP			
VALUATION			
At 1st February, 2002	1,031,400,000	15,444,000	1,046,844,000
Decrease on revaluation	(189,400,000)	(3,939,000)	(193,339,000)
	842,000,000	11,505,000	853,505,000
DEPRECIATION			
At 1st February, 2002	–	2,732,925	2,732,925
Written back (<i>Note 3</i>)	–	(2,732,925)	(2,732,925)
	–	–	–
NET BOOK VALUES			
At 31st January, 2003	842,000,000	11,505,000	853,505,000
At 31st January, 2002	1,031,400,000	12,711,075	1,044,111,075

NOTES TO THE FINANCIAL STATEMENTS
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13. INVESTMENT PROPERTIES – continued

	Land and buildings in Guam, U.S.A. HK\$
THE COMPANY	
VALUATION	
At 1st February, 2002	11,700,000
Decrease on revaluation	(2,730,000)
	<u>8,970,000</u>
At 31st January, 2003	<u>8,970,000</u>

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

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Land and buildings at valuation				
In Hong Kong on				
Long leases	537,400,000	664,000,000	–	–
Medium-term leases	304,600,000	367,400,000	–	–
	842,000,000	1,031,400,000	–	–
In Guam, U.S.A. on				
Freehold land	10,920,000	12,711,075	8,970,000	11,700,000
Medium-term leases	585,000	–	–	–
	853,505,000	1,044,111,075	8,970,000	11,700,000

The investment properties of the Group in Hong Kong at 31st January, 2003 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, 2003 are carried at their open market value at that date as valued by Micronesian Appraisal Associates, Inc.. The valuers are independent firms of property valuers.

The land and buildings in Guam, U.S.A., at 31st January, 2002 were carried at 1983 professional valuation less depreciation.

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14. OTHER PROPERTIES

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Land in Guam, U.S.A.				
Freehold				
At cost less impairment	43,190,216	46,086,216	18,640,595	21,535,951
At 1983 professional valuation	14,981,312	14,981,312	–	–
Leasehold land				
At cost less amortisation	1,345,500	1,374,750	–	–
	59,517,028	62,442,278	18,640,595	21,535,951
Properties in Hong Kong on medium-term lease held for development, at cost	38,026,765	38,026,765	–	–
	97,543,793	100,469,043	18,640,595	21,535,951

In the prior year, in order to conform with SSAP 31, the carrying value of certain freehold land in Guam, U.S.A. was written down by HK\$71,559,834 by reference to the valuation conducted by an independent property valuer. The amount so reduced to the extent of 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. In the current year, by reference to the valuation conducted by an independent property valuer subsequent to the balance sheet date, impairment losses on certain freehold land in Guam, U.S.A., amounted to HK\$2,896,000 have been provided and charged to the income statement. At 31st January, 2003, impairment losses provided on land in Guam, U.S.A., amounted to a total of HK\$74,455,834 (2002: HK\$71,559,834).

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\$58,785,000 (2002: HK\$61,710,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

15. OTHER FIXED ASSETS

	Furniture, fixtures, office equipment and motor vehicles <i>HK\$</i>
THE GROUP	
COST	
At 1st February, 2002	2,626,131
Additions	464,284
	3,090,415
At 31st January, 2003	3,090,415
DEPRECIATION	
At 1st February, 2002	1,480,857
Provided for the year	356,741
	1,837,598
At 31st January, 2003	1,837,598
NET BOOK VALUES	
At 31st January, 2003	1,252,817
At 31st January, 2002	1,145,274
THE COMPANY	
COST	
At 1st February, 2002 and 31st January, 2003	1,082,536
DEPRECIATION	
At 1st February, 2002	753,888
Provided for the year	77,418
	831,306
At 31st January, 2003	831,306
NET BOOK VALUES	
At 31st January, 2003	251,230
At 31st January, 2002	328,648

The net book value of the Group's fixed assets shown above includes an amount of HK\$248,692 (2002: HK\$331,589) in respect of assets held under finance leases.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

16. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK\$	HK\$
Unlisted shares		
– at cost	10,510,000	10,510,000
– at 1976 directors' valuation	34,475,000	34,475,000
	44,985,000	44,985,000
Amounts due from subsidiaries	396,502,258	382,801,342
	441,487,258	427,786,342

Particulars of the subsidiaries at 31st January, 2003 which are incorporated and operating in Hong Kong, except otherwise indicated, are as follows:

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 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

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 operating in Guam, U.S.A.
- (ii) Incorporated in the British Virgin Islands
- (iii) Incorporated in the Bahamas

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

17. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$	<i>HK\$</i>	HK\$	<i>HK\$</i>
Unlisted associates:				
Shares, at cost	–	–	250,000	250,000
Share of net assets	1,044,966	3,747,628	–	–
	1,044,966	3,747,628	250,000	250,000
Amount due from an associate	9,495,907	9,232,244	–	–
	10,540,873	12,979,872	250,000	250,000

The amount due from an associate, Guam Tourist Development Company, is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the associates at 31st January, 2003 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

18. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$	<i>HK\$</i>	HK\$	<i>HK\$</i>
Not held for trading equity securities:				
Listed in Hong Kong	5,752,113	6,642,618	–	–
Unlisted	188,500	188,500	–	–
Less: impairment	(188,499)	(188,499)	–	–
	<u>5,752,114</u>	<u>6,642,619</u>	<u>–</u>	<u>–</u>
Unlisted club debentures	80,000	80,000	80,000	80,000
	<u>5,832,114</u>	<u>6,722,619</u>	<u>80,000</u>	<u>80,000</u>
Market value of listed securities	<u>5,752,113</u>	<u>6,642,618</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:

	THE GROUP	
	2003	2002
	HK\$	<i>HK\$</i>
0 – 60 days	2,905,501	3,120,987
61 – 90 days	289,384	455,210
Over 90 days	1,159,403	854,995
	<u>4,354,288</u>	<u>4,431,192</u>

20. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2003	2002
	HK\$	<i>HK\$</i>
Trade payables due between 0 – 60 days	2,560,447	2,891,209
Unclaimed dividends payable	43,030,696	34,019,940
	<u>45,591,143</u>	<u>36,911,149</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

21. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Obligations under finance leases maturing		
Within one year	158,433	95,060
More than one year, but not exceeding two years	–	158,433
	<u>158,433</u>	<u>253,493</u>
Less: Amount due within one year shown under current liabilities	<u>(158,433)</u>	<u>(95,060)</u>
Amount due after one year	<u>–</u>	<u>158,433</u>

22. BANK LOANS

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Secured bank loans repayable				
Within one year	37,791,855	33,341,169	791,855	721,373
More than one year, but not exceeding two years	54,338,936	34,768,265	838,936	767,469
More than two years, but not exceeding five years	22,734,854	64,789,897	2,843,152	3,398,195
More than five years	4,525,769	4,862,963	4,525,769	4,862,963
	<u>119,391,414</u>	<u>137,762,294</u>	<u>8,999,712</u>	<u>9,750,000</u>
Less: Amount due within one year shown under current liabilities	<u>(37,791,855)</u>	<u>(33,341,169)</u>	<u>(791,855)</u>	<u>(721,373)</u>
Amount due after one year	<u>81,599,559</u>	<u>104,421,125</u>	<u>8,207,857</u>	<u>9,028,627</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

23. SHARE CAPITAL

**THE GROUP
AND
THE COMPANY
2003 & 2002
HK\$**

Authorised:

100,000,000 ordinary shares of HK\$1 each	<u>100,000,000</u>
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Issued and fully paid:

67,760,000 ordinary shares of HK\$1 each	<u>67,760,000</u>
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At 31st January, 2003, a total of 421,400 (2002: 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, 2003.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

24. RESERVES

	Investment property revaluation reserve HK\$	Investment securities revaluation reserve HK\$	Negative goodwill HK\$	Exchange translation reserve HK\$	Other reserves HK\$	Dividend reserve HK\$	Retained profits HK\$	Total HK\$
THE GROUP								
At 1st February, 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)
Reversal of increase on revaluation of other properties adjusted for minority interests	-	-	-	-	(11,845,974)	-	-	(11,845,974)
(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
Net loss for the year	-	-	-	-	-	-	(11,190,190)	(11,190,190)
Unclaimed dividends written back	-	-	-	-	-	-	3,946,291	3,946,291
Amounts set aside for dividend payments (<i>Note 11</i>)	-	-	-	-	-	20,328,000	(20,328,000)	-
Interim dividend paid	-	-	-	-	-	(6,776,000)	-	(6,776,000)
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
2002 final dividend paid	-	-	-	-	-	(13,552,000)	-	(13,552,000)
Net decrease on revaluation of investment properties adjusted for minority interests	(183,312,359)	-	-	-	-	-	-	(183,312,359)
Decrease on revaluation of investments in securities held by - subsidiaries, adjusted for minority interests	-	(890,275)	-	-	-	-	-	(890,275)
- associates	-	(2,704,188)	-	-	-	-	-	(2,704,188)
Net profit for the year	-	-	-	-	-	-	27,409,364	27,409,364
Unclaimed dividends written back	-	-	-	-	-	-	182,122	182,122
Amounts set aside for dividend payments (<i>Note 11</i>)	-	-	-	-	-	5,420,800	(5,420,800)	-
Interim dividend paid	-	-	-	-	-	(5,420,800)	-	(5,420,800)
At 31st January, 2003	348,895,098	6,219,009	6,114,458	16,900,742	9,653,746	-	317,056,032	704,839,085

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

24. RESERVES – continued

The negative goodwill, arrived at after deducting goodwill on consolidation, amounted to HK\$3,066,187 (2002: HK\$3,066,187).

The Group's retained profits attributable to associates at 31st January, 2003 amounted to HK\$610,708 (2002: HK\$563,450).

	Dividend reserve <i>HK\$</i>	Other reserves <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
THE COMPANY				
At 1st February, 2001	16,940,000	185,904	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
Amounts set aside for dividend payments (<i>Note 11</i>)	20,328,000	–	(20,328,000)	–
Interim dividend paid	(6,776,000)	–	–	(6,776,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st January, 2002	13,552,000	185,904	28,292,363	42,030,267
2002 final dividend paid	(13,552,000)	–	–	(13,552,000)
Net profit for the year	–	–	983,587	983,587
Unclaimed dividends written back	–	–	182,122	182,122
Amounts set aside for dividend payments (<i>Note 11</i>)	5,420,800	–	(5,420,800)	–
Interim dividend paid	(5,420,800)	–	–	(5,420,800)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st January, 2003	<u>–</u>	<u>185,904</u>	<u>24,037,272</u>	<u>24,223,176</u>

The Company's reserves available for distribution to shareholders at 31st January, 2003 represent retained profits of HK\$24,037,272 (2002: retained profits of HK\$28,292,363 and dividend reserve of HK\$13,552,000).

25. DEFERRED TAXATION

	THE GROUP	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Deferred taxation attributable to excess of tax allowances over depreciation		
At beginning of the year	1,767,499	1,599,240
Charge for the year (<i>Note 10</i>)	105,580	168,259
	<hr/>	<hr/>
At end of the year	<u>1,873,079</u>	<u>1,767,499</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

25. DEFERRED TAXATION – continued

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

	THE GROUP	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Tax effect of timing differences because of		
Excess of tax allowances over depreciation	(3,025,000)	(2,240,281)
Tax losses	2,954,000	3,798,555
Other timing differences	15,557,000	13,320,000
	<u>15,486,000</u>	<u>14,878,274</u>

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

	THE GROUP	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Tax effect of timing differences because of		
Differences between tax allowances and depreciation	(784,719)	(38,680)
Tax losses utilised	(844,555)	(1,586,769)
Other timing differences	2,237,000	13,320,000
	<u>607,726</u>	<u>11,694,551</u>

The other timing differences represent deferred tax asset attributable to the impairment loss on land and revaluation decrease of investment properties 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 asset 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 increase does not constitute a timing difference for tax purposes.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

26. OTHER DEFERRED ITEMS

	THE GROUP	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Income on sale of properties		
Deposits and interest received	1,399,165	1,396,870
Less: Cost of properties sold under instalment contracts	(285,934)	(285,934)
Attributable income tax	(316,627)	(316,627)
	796,604	794,309
	796,604	794,309

Certain of the Group's properties in Guam, U.S.A., have been sold for an aggregate consideration of approximately HK\$1.1 million (2002: 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 contracts, 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.

28. RETIREMENT BENEFIT PLANS

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

The ORSO Scheme is funded by monthly contributions from both employees and the Group. The Group's contribution to this scheme is calculated at 5% of the employee's basic salary. The contributory employees' contributions are calculated at 5% of their basic salaries and the non-contributory employees are not required to make contributions to the scheme.

For members of the MPF Scheme, the Group contributes 5% of the employee's salary or HK\$1,000 per month, whichever is the lesser, to the scheme, which contribution is matched by the employees.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

28. RETIREMENT BENEFIT PLANS – continued

Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. Forfeited contributions in respect of unvested benefits of employees leaving the Group's employment cannot be used to reduce ongoing contributions. At the balance sheet date, there were no forfeited contributions available to offset future employer's contributions to this scheme (2002: Nil).

29. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group's investment properties, other properties and properties for sale with a carrying value of HK\$620 million (2002: HK\$764 million), HK\$38 million (2002: HK\$38 million) and HK\$5.3 million (2002: HK\$5.3 million) respectively were let under operating leases. Property rental income earned during the year is HK\$67.7 million (2002: HK\$75.4 million) of which HK\$65.5 million (2002: HK\$71.6 million) was derived from the letting of investment properties. A substantial portion of the Group's properties leased out comprises investment properties with committed tenants for one to three years without termination options and the rentals are fixed throughout the lease periods.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases:

	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Within one year	31,649,000	37,637,000
In the second to fifth years inclusive	23,657,000	14,768,000
After five years	–	6,123,000
	55,306,000	58,528,000
	55,306,000	58,528,000

30. PLEDGE OF ASSETS

At the balance sheet date, investment properties of the Group with an aggregate book value of approximately HK\$659 million (2002: HK\$823 million) were mortgaged or charged to banks for credit facilities granted to the Group.

31. CONTINGENT LIABILITIES

At the balance sheet date, the Company had issued guarantees to the extent of approximately HK\$281,200,000 (2002: HK\$281,200,000) for banking facilities granted to subsidiaries, of which approximately HK\$119,399,000 (2002: HK\$128,021,000) was utilised as at that date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST JANUARY, 2003

32. POST BALANCE SHEET EVENT

On 21st May, 2003, Smart Extra Holdings Limited (“Smart Extra”), a company wholly owned by Mr. Lee Teh Yee, William, a director of the Company, announced that it has acquired a total of 60,406,962 shares in the Company, representing approximately 89.15% of the shares in issue.

Smart Extra has also announced that it intends to make an unconditional cash general offer for all the issued shares in the Company not held by Smart Extra and to privatise the Company by way of a scheme of arrangement, details of which are set out in the announcement issued on that date.