

Notes to the Financial Statements

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and property investment in Hong Kong. Activities of the subsidiary company and associated companies are set out in notes 10 and 11 respectively.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA")

Pursuant to the revised Statement of Standard Accounting Practice 2.101 (SSAP1), "Presentation of Financial Statements", which was issued by the HKSA and became effective for accounting periods on or after 1 January 1999, certain comparative figures have been reclassified and/or extended.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary company made up to 30 September.

All significant intercompany transactions and balances are eliminated on consolidation.

(c) Fixed assets

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and are held for their investment potential. Investment properties are stated at their open market value based on an annual professional valuation at the balance sheet date. Increases in valuation are credited to the investment properties revaluation reserve; decreases are first set off against earlier revaluation surpluses and thereafter charged to the profit and loss account. Upon the disposal of an investment property, the related revaluation surplus is released from the investment properties revaluation reserve in calculating the profit and loss on disposal. No depreciation is provided on investment properties held on leases with unexpired period of more than twenty years.

Fixtures and equipment are depreciated over their estimated useful lives using the straight line method at the rate of 10% per annum.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account as incurred. Improvements are capitalised and depreciated over their expected useful lives.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

Gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the profit and loss account.

Notes to the Financial Statements (Cont'd)

(d) Subsidiary company

A company is a subsidiary company if more than 50% of the issued share capital is held for the long term or the composition of the board of directors is controlled. The investment in subsidiary company is carried at cost less provision.

(e) Associated companies

An associated company is a company, not being a subsidiary company, in which an equity interest is held for the long term or effectively of a partner in a consortium and, in both situations, significant influence is exercised in its management. The Group's investments in associated companies are stated at the Group's share of net assets after attributing fair value to the net assets at the time of acquisition of the interest in the associated companies plus any premium or discount on acquisition. The Company's investments in associated companies are carried at cost less provision. Results of associated companies are accounted for by the Company only to the extent of dividend income.

(f) Unlisted investments

Unlisted investments are stated at cost less any provision for diminution in value.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investments will be reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

(g) Revenue recognition

Rental and service income is recognised on a time proportion basis. Interest income is recognised on an accrual basis. Dividend income is recognised when the right to receive payment has been established.

(h) Turnover

Turnover comprises property rental and service income.

(i) Deferred taxation

Deferred taxation is accounted for at the current tax rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(j) Foreign currencies

Transactions in foreign currencies during the year are converted at exchange rates ruling at the transaction dates. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at exchange rates ruling at that date. All exchange differences are included in the determination of operating profit.

(k) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Notes to the Financial Statements (Cont'd)

3. TURNOVER AND CONTRIBUTION TO OPERATING PROFIT

	2000 HK\$'000	1999 HK\$'000
(a) Turnover		
Property investment	79,757	99,869
(b) Contribution to operating profit		
Property investment	40,486	58,863

The activities of the Group are primarily conducted in Hong Kong.

Interest income of HK\$2,311,000 and dividend income of HK\$65,000 previously included in the turnover for the year ended 30 September 1999 have been excluded from the turnover in accordance with SSAP 1(revised) as they did not arise from the principal activities of the Group.

4. OTHER REVENUE

	2000 HK\$'000	1999 HK\$'000
Bank deposit and other interest income	1,441	2,311
Dividend income from unlisted investments	119	65
Gain on disposal of fixed assets	8	-
Sundry income	227	398
	<u>1,795</u>	<u>2,774</u>

5. OPERATING PROFIT

	2000 HK\$'000	1999 HK\$'000
Operating profit is stated after charging:		
Directors' emoluments (note 6)	931	2,092
Auditors' remuneration	438	438
Depreciation	87	99
Bad and doubtful debts	57	502
Staff costs	6,252	10,038