

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.

(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 if the composition of the board of directors is controlled by the Group. The Company's investment in subsidiary company is carried at cost less provision. Provision is made when, in the opinion of the directors, there is a diminution in value other than temporary in nature. The results of subsidiary company are accounted for by the Company on the basis of dividend income.

(e) Associated companies

An associated company is a company, other than a subsidiary company, in which an equity interest is held for the long term and 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. Provision is made when, in the opinion of the directors, there is a diminution in value other than temporary in nature. 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) 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.

(i) 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.

(j) 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

	2001 HK\$'000	2000 HK\$'000
(a) Turnover		
Property investment	81,122	79,757
(b) Contribution to operating profit		
Property investment	41,652	40,486

Turnover comprises property rental and service income. The activities of the Group are primarily conducted in Hong Kong.

4. OTHER REVENUES

	2001 HK\$'000	2000 HK\$'000
Bank deposit and other interest income	1,164	1,441
Dividend income from unlisted investments	–	119
Gain on disposal of fixed assets	3	8
Sundry income	563	227
	1,730	1,795

5. OPERATING PROFIT

	2001 HK\$'000	2000 HK\$'000
Operating profit is stated after charging:		
Directors' emoluments (note 6(a))	871	931
Auditors' remuneration	438	438
Depreciation	55	87
Bad and doubtful debts	4,569	57
Staff costs	3,924	6,252

Notes to the Financial Statements (Cont'd)

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

	2001 HK\$'000	2000 HK\$'000
Fees	140	140
Salaries and other emoluments	680	680
Discretionary bonuses	–	–
Long service payments	41	111
Contributions to mandatory provident fund scheme	10	–
	<u>871</u>	<u>931</u>

Each non-executive director receives a fixed fee of HK\$ 20,000 per annum and fees paid to non-executive directors for the year amounted to HK\$80,000 (2000: HK\$80,000). None of the directors has waived the right to receive their emoluments.

The emoluments of each of the Directors are below HK\$1,000,000.

(b) Senior executives' emoluments

The five individuals whose emoluments were the highest in the Group for the year include one director (2000: one director) whose emoluments are reflected in the analysis presented above. Details of the emoluments paid to the remaining four (2000: four) individuals during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries and other emoluments	1,409	1,409
Discretionary bonuses	–	–
Long service payments	65	110
Contributions to mandatory provident fund scheme	40	–
	<u>1,514</u>	<u>1,519</u>

The emoluments of each of the individuals are below HK\$1,000,000.

Notes to the Financial Statements (Cont'd)

7. TAXATION

	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax		
Company and subsidiary company	6,382	6,893

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the year.

No provision for deferred taxation has been made as there are no material timing differences between profit as stated in the financial statements and profit as computed for taxation purposes. The surpluses arising from the revaluation of the Group's investment properties do not constitute timing differences.

8. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of HK\$35,296,000 (2000: HK\$33,614,000) and the 25,000,000 shares in issue throughout the two years ended 30 September 2001.