

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 11 and 12 respectively.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

These 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 Institute of Certified Public Accountants ("HKICPA").

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30 September 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to analyse and quantify the impact of these new HKFRSs on its results of operations and financial position.

(b) Basis of consolidation

The Group accounts incorporate the accounts of the Company and its subsidiary company made up to 30 September and include the Group's share of the results for the year and undistributed post-acquisition reserves of associated companies.

All material intra-group transactions and balances have been eliminated on consolidation.

(c) Subsidiary company

A company is a subsidiary company if the Group controls more than half of the voting power, controls the composition of the board of directors or holds more than half of the issued equity capital. Provision is made when, in the opinion of the Directors, there is impairment other than temporary in nature.

The Company's investment in the subsidiary company is carried at cost less provision. The results of the subsidiary company are accounted for by the Company on the basis of dividend income.

(d) Associated companies

An associated company is a company other than a subsidiary company, in which the Group's interest is held for the long term and substantial and significant influence is exercised through representatives on the board of directors.

The Group's investments in associated companies are stated at the Group's share of net assets and goodwill/negative goodwill (net of accumulated amortisation) on acquisition. The Company's investments in associated companies are carried at cost less provision. The results of associated companies are accounted for by the Company on the basis of dividend income.

Notes to the Financial Statements (Cont'd)

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(e) Unlisted investment

Unlisted investment is stated at cost less provision.

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

(f) 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 carried in the balance sheet at their open market value based on professional valuation. Increases in valuation are credited to the investment property revaluation reserve; decreases are first set off against earlier revaluation surpluses on a portfolio basis and thereafter charged to the profit and loss account. Upon sale of an investment property, the revaluation surplus realised is transferred to operating profit. No depreciation is provided on investment properties held on leases with unexpired period of more than twenty years.

Fixtures and equipment are stated at cost less accumulated depreciation and provision for impairment. 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. Improvements are capitalised and depreciated over their expected useful lives.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised in the profit and loss account to reduce the asset to its recoverable amount.

The 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.

(g) Revenue recognition

Rental and service income from investment properties 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.

Notes to the Financial Statements (Cont'd)

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(h) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse 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.

3. SEGMENT INFORMATION

	2005 HK\$'000	2004 HK\$'000
(a) Turnover		
Property investment	72,800	70,263
(b) Contribution to operating profit		
Property investment	46,041	42,708
Unallocated item - provision for unlisted investment	-	(20,567)
	<u>46,041</u>	<u>22,141</u>

Turnover represents gross rental and service income from investment properties.

As the Group's principal business is property investment in Hong Kong, an analysis of the Group's turnover and profit by business and geographical segments has not been presented.

4. OTHER REVENUES

	2005 HK\$'000	2004 HK\$'000
Bank deposit and other interest income	336	126
Sundry income	347	294
	<u>683</u>	<u>420</u>

Notes to the Financial Statements (Cont'd)

5. OPERATING PROFIT

	2005 HK\$'000	2004 HK\$'000
Operating profit is stated after charging:		
Directors' emoluments (note 6(a))	878	858
Auditors' remuneration	470	438
Depreciation	50	52
Staff costs (excluding Directors' emoluments)		
Salaries and other emoluments	3,654	3,681
Long service payments	162	110
Contributions to mandatory provident fund scheme	139	136
	<u>878</u>	<u>858</u>

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments	2005 HK\$'000	2004 HK\$'000
Fees	160	140
Salaries and other emoluments	668	668
Long service payments	38	38
Contributions to mandatory provident fund scheme	12	12
	<u>878</u>	<u>858</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\$100,000 (2004: HK\$80,000). None of the Directors has waived the right to receive their emoluments.

Notes to the Financial Statements (Cont'd)

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Cont'd)

(a) Directors' emoluments (Cont'd)

Details of the emoluments paid to the Directors are as follows:

Name of Directors	Fees HK\$'000	Salaries and allowances HK\$'000	Bonus HK\$'000	Long service payments HK\$'000	Mandatory provident fund contributions HK\$'000	2005 Total HK\$'000	2004 Total HK\$'000
Dato' Dr. Cheng Yu Tung	20	–	–	–	–	20	20
Mr. Chung Ming Fai	20	–	–	–	–	20	20
Mr. Yuen Pak Yiu, Philip	20	–	–	–	–	20	20
Dr. Fong Yun Wah	20	–	–	–	–	20	20
Mr. Chung Yin Shu, Frederick	20	605	63	38	12	738	738
Mr. Chung Wai Shu, Robert	20	–	–	–	–	20	20
Mr. Lo Pak Shiu	20	–	–	–	–	20	20
Mr. Yuen Sik Ming, Patrick	20	–	–	–	–	20	–
2005 Total	<u>160</u>	<u>605</u>	<u>63</u>	<u>38</u>	<u>12</u>	<u>878</u>	
2004 Total	<u>140</u>	<u>605</u>	<u>63</u>	<u>38</u>	<u>12</u>		<u>858</u>

(b) Senior executives' emoluments

The five individuals whose emoluments were the highest in the Group for the year include one Director (2004: one Director) whose emoluments are reflected in the analysis presented above. Details of the emoluments paid to the remaining four (2004: four) individuals during the year are as follows:

	2005 HK\$'000	2004 HK\$'000
Salaries and other emoluments	1,383	1,383
Long service payments	56	56
Contributions to mandatory provident fund scheme	48	48
	<u>1,487</u>	<u>1,487</u>

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

Notes to the Financial Statements (Cont'd)

7. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year.

The amount of taxation charged to the consolidated profit and loss account represents:

	2005 HK\$'000	2004 HK\$'000
Company and subsidiary		
Current taxation		
Provision for the year	7,838	7,286
Over provision in prior years	-	(10)
Deferred taxation relating to the origination and reversal of temporary differences	174	183
	<u>8,012</u>	<u>7,459</u>
Associated companies		
Current taxation	1	-
Taxation charge	<u>8,013</u>	<u>7,459</u>

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2005 HK\$'000	2004 HK\$'000
Profit before taxation	<u>46,034</u>	<u>22,129</u>
Calculated at a taxation rate of 17.5% (2004: 17.5%)	8,056	3,873
Income not subject to taxation	(45)	(5)
Expenses not deductible for taxation purposes	2	3,601
Others	-	(10)
Taxation charge	<u>8,013</u>	<u>7,459</u>

Notes to the Financial Statements (Cont'd)

8. DIVIDENDS

	2005 HK\$'000	2004 HK\$'000
Interim dividend paid of HK\$0.50 (2004: HK\$0.50) per share	12,500	12,500
Final dividend proposed of HK\$1.10 (2004: HK\$0.80) per share	27,500	20,000
	<u>40,000</u>	<u>32,500</u>

At a meeting held on 21 December 2005, the Board of Directors proposed a final dividend of HK\$1.10 per share. This proposed dividend will be accounted for as an appropriation of retained profit in the year ending 30 September 2006.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of HK\$38,021,000 (2004: HK\$14,670,000) and the 25,000,000 shares in issue throughout the two years ended 30 September 2005.

10. FIXED ASSETS

Group	Investment properties HK\$'000	Fixtures and equipment HK\$'000	Total HK\$'000
Cost or valuation			
At 30 September 2004			
Cost	–	1,587	1,587
Professional valuation	1,322,600	–	1,322,600
Additions	–	17	17
Revaluation surplus (note 18)	370,400	–	370,400
At 30 September 2005	<u>1,693,000</u>	<u>1,604</u>	<u>1,694,604</u>
Accumulated depreciation			
At 30 September 2004	–	1,414	1,414
Charge for the year	–	50	50
At 30 September 2005	<u>–</u>	<u>1,464</u>	<u>1,464</u>
Net book value			
At 30 September 2005	<u>1,693,000</u>	<u>140</u>	<u>1,693,140</u>
At 30 September 2004	<u>1,322,600</u>	<u>173</u>	<u>1,322,773</u>

Notes to the Financial Statements (Cont'd)

10. FIXED ASSETS (Cont'd)

Company	Investment properties HK\$'000	Fixtures and equipment HK\$'000	Total HK\$'000
Cost or valuation			
At 30 September 2004			
Cost	–	1,558	1,558
Professional valuation	1,200,000	–	1,200,000
Additions	–	17	17
Revaluation surplus (note 18)	335,000	–	335,000
At 30 September 2005	<u>1,535,000</u>	<u>1,575</u>	<u>1,536,575</u>
Accumulated depreciation			
At 30 September 2004	–	1,385	1,385
Charge for the year	–	50	50
At 30 September 2005	<u>–</u>	<u>1,435</u>	<u>1,435</u>
Net book value			
At 30 September 2005	<u>1,535,000</u>	<u>140</u>	<u>1,535,140</u>
At 30 September 2004	<u>1,200,000</u>	<u>173</u>	<u>1,200,173</u>
Principal investment properties	Type	Floor area (Sq m)	Group interest
Melbourne Plaza	Commercial	24,074	100%
Kimley Commercial Building	Commercial	4,554	100%

The investment properties are held under long leases (over 50 years) in Hong Kong and were revalued on 30 September 2005 on an open market value basis by CS Surveyors Limited.

11. SUBSIDIARY COMPANY

	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	10,000	10,000
Amount receivable	868	1,745
	<u>10,868</u>	<u>11,745</u>

**Private company incorporated in Hong Kong
and directly owned by the Company**

Iau On Company Limited

**Paid up ordinary
share capital**

100,000 shares of HK\$100 each

**Equity
holding**

100%

The subsidiary company is engaged in the business of property investment in Hong Kong.

Notes to the Financial Statements (Cont'd)

12. ASSOCIATED COMPANIES

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	70	70	70	70
Share of undistributed post-acquisition profits less losses	(3,946)	(3,938)	—	—
Group's share of net (liabilities)/assets	(3,876)	(3,868)	70	70
Amount receivable	5,430	5,393	5,430	5,393
Less: Provision	—	—	(5,135)	(5,134)
	5,430	5,393	295	259
Less: Amount payable	(225)	(225)	(225)	(225)
	5,205	5,168	70	34
	1,329	1,300	140	104

Details of the associated companies are as follows:

Private companies incorporated in Hong Kong and directly owned by the Company	Paid up ordinary share capital	Equity holding	Principal activities (in Hong Kong)
Chuen King Enterprises Limited	1,000 shares of HK\$100 each	50%	Property trading
Manlo Holdings Limited	6 shares of HK\$10 each	33 ⅓ %	Investment holding
Littlejohn Company Limited	100,000 shares of HK\$1 each	20%	Investment holding

13. UNLISTED INVESTMENT

	Group and Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	143	143
Advances	29,605	29,605
Less: Provision	(29,747)	(29,747)
	1	1

Unlisted investment represents 14.29% equity interest in Billion Park Investment Limited ("Billion Park"), a private company incorporated in Hong Kong. The principal activity of Billion Park is to participate in Foshan International Country Club Company Limited, a co-operative joint venture formed in the People's Republic of China and in which the Group has an effective interest of 5%, for the construction of golf courses and related commercial and residential facilities in Foshan.

The advances are unsecured, interest free and have no specific repayment terms.

Notes to the Financial Statements (Cont'd)

14. DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade debtors				
Below 60 days	2,456	2,560	2,031	2,169
61 to 90 days	242	315	140	202
91 days and above	272	234	144	68
	<u>2,970</u>	<u>3,109</u>	<u>2,315</u>	<u>2,439</u>
Deposits and prepayments	<u>2,721</u>	<u>2,290</u>	<u>2,571</u>	<u>2,142</u>
	<u>5,691</u>	<u>5,399</u>	<u>4,886</u>	<u>4,581</u>

Trade debtors represent rental income which is due one month in advance.

15. CREDITORS, ACCRUALS AND DEPOSITS

	Group		Company	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade creditors				
Below 60 days	908	640	813	611
Accruals and deposits	<u>15,745</u>	<u>13,096</u>	<u>14,568</u>	<u>12,230</u>
	<u>16,653</u>	<u>13,736</u>	<u>15,381</u>	<u>12,841</u>

16. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 17.5% (2004: 17.5%).

The movement on the net deferred tax (liabilities)/assets account is as follows:

	Group and Company	
	2005	2004
	HK\$'000	HK\$'000
Accelerated tax depreciation		
At beginning of the year	(126)	57
Deferred taxation charged to profit and loss account	(174)	(183)
At end of the year	<u>(300)</u>	<u>(126)</u>

Notes to the Financial Statements (Cont'd)

17. SHARE CAPITAL

	2005 HK\$'000	2004 HK\$'000
Authorised		
30,000,000 shares of HK\$5 each	150,000	150,000
Issued and fully paid		
25,000,000 shares of HK\$5 each	125,000	125,000

18. RESERVES

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Investment properties revaluation reserve				
At beginning of the year	1,194,757	860,157	1,084,374	784,374
Surplus on revaluation (note 10)	370,400	334,600	335,000	300,000
At end of the year	1,565,157	1,194,757	1,419,374	1,084,374
Retained profit				
At beginning of the year	8,618	26,448	7,118	25,109
Profit for the year	38,021	14,670	37,866	14,509
Dividend	(40,000)	(32,500)	(40,000)	(32,500)
At end of the year	6,639	8,618	4,984	7,118
	1,571,796	1,203,375	1,424,358	1,091,492

	Company and subsidiary company HK\$'000	Associated companies HK\$'000	Total HK\$'000
Retained profit			
At 30 September 2005	10,585	(3,946)	6,639
At 30 September 2004	12,556	(3,938)	8,618
Investment properties revaluation reserve			
At 30 September 2005	1,565,157	-	1,565,157
At 30 September 2004	1,194,757	-	1,194,757

Distributable reserves of the Company at 30 September 2005, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to HK\$32,484,000 (2004: HK\$27,118,000).

Notes to the Financial Statements (Cont'd)

19. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

The future minimum rental payments receivable under non-cancellable operating leases are as follows:

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
First year	51,932	41,017	47,547	39,151
Second to fifth year inclusive	18,731	15,273	17,522	14,121
	<u>70,663</u>	<u>56,290</u>	<u>65,069</u>	<u>53,272</u>

The Group's and the Company's operating leases are generally for terms of two years.

20. RELATED PARTY TRANSACTIONS

In the normal course of business activities, certain investment properties of the Group are leased to related companies, which are controlled by certain Directors of the Company, at prices and terms no less than those contracted with other third party tenants of the Group. Rental and related income from these related companies during the year were HK\$2,946,000 (2004: HK\$2,795,000).

21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 21 December 2005.