

N O T E S T O T H E A C C O U N T S

1 Principal Accounting Policies

(a) Basis of preparation

The accounts are prepared under the historical cost convention as modified by the revaluation of investment properties and investments in securities, 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 accounts include the accounts of the Company and all its subsidiary companies made up to 31st December. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

(c) Investments in subsidiaries

A company is a subsidiary if more than 50 per cent of the issued voting capital is held for the long term. In the Company's balance sheet the investments in subsidiaries are stated at cost less provision, if necessary, for any diminution in value other than temporary in nature. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Investments in jointly controlled entities

A jointly controlled entity is an entity which through contractual arrangements is subject to joint control by the Group and other parties, and none of the participating parties has unilateral control over the entity. The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year. The consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.

1 Principal Accounting Policies (con't)

(e) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods of greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

1 Principal Accounting Policies (con't)

(f) **Other fixed assets**

Other fixed assets are stated at cost less accumulated depreciation. Leasehold land is depreciated over the period of the leases while other fixed assets are depreciated to write off their costs over their estimated useful lives on a straight line basis at the following annual rates:-

Buildings	2.5% to 5%
Others	20%

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 to the Group.

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.

The gain or loss on disposal of fixed assets other than investment properties is the difference between the net sales proceeds and the carrying amount of the assets and is recognised in the profit and loss account.

(g) **Investments in securities**

(i) Non-trading investments

Non-trading investments are stated at fair value at the balance sheet date. Fair value represents the quoted market price for securities which are listed or actively traded in a liquid market. For securities which are unlisted and not actively traded, fair value is determined with reference to recent transaction prices and estimated net realisable value. Changes in the fair value of individual investments are credited or debited to the investments revaluation reserve until the investment is sold, or is determined to be impaired.

1 Principal Accounting Policies (con't)

(g) Investments in securities (con't)

(i) Non-trading investments (con't)

Upon the disposal of an investment, the cumulative gain or loss, representing the difference between the net sales proceeds and the carrying amount of the relevant investment, together with any surplus/deficit transferred from the investments revaluation reserve, is dealt with in the profit and loss account.

Individual investments are reviewed regularly to determine whether they are impaired. When an investment is considered to be impaired, the cumulative loss recorded in the revaluation reserve is taken to the profit and loss account.

(ii) Trading investments

Trading investments are carried at fair value at the balance sheet date. Fair value represents the quoted market price for securities which are listed or actively traded in a liquid market. For securities which are unlisted and not actively traded, fair value is determined with reference to recent transaction prices and estimated net realisable value.

At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading investments are recognised in the profit and loss account. Profits or losses on disposal of trading investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(h) Revenue recognition

(i) Realised and unrealised gains and losses on trading investments

Realised gains and losses on trading investments are recognised on conclusion of sales contracts. Unrealised gains and losses on trading investments are recognised on the basis set out in note 1(g)(ii).

1 Principal Accounting Policies (con't)

(h) **Revenue recognition** (con't)

(ii) Rental and management fee income

Rental and management fee income on operating leases are recognised on a straight line basis over the lease periods.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iv) Interest income

Interest income is recognised on an accruals basis.

(v) Commission income

Commission income is recognised upon rendering of the services.

(i) **Operating leases**

Leases where substantially all the rewards and risks of ownership of the assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight line basis over the lease periods.

(j) **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 accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(k) **Borrowing costs**

Borrowing costs are charged to the profit and loss account in the year in which they are incurred.

NOTES TO THE ACCOUNTS *(con't)*

1 Principal Accounting Policies *(con't)*

(l) Foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiary companies and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves.

2 Turnover and Segment Information

The Group is principally engaged in property investment, investment holding and trading, and textile trading. Turnover recognised during the year comprises the following:

	2000 HK\$'000	1999 HK\$'000
Gross rental income from investment properties	37,893	40,295
Net realised and unrealised (losses)/gains on trading investments	(52,507)	96,758
Dividend income from listed investments	1,971	1,828
Dividend income from unlisted investments	2,009	-
Interest income	6,020	5,548
Management fee income from investment properties	8,596	8,507
Commission income (Note 23)	7,670	8,358
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	11,652	161,294
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N O T E S T O T H E A C C O U N T S (con't)

2 Turnover and Segment Information (con't)

An analysis of the Group's turnover and contribution to loss/profit before taxation by principal activities and markets is as follows:

	Turnover		(Loss)/profit before taxation	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal activities:				
Textile trading				
-Group	7,670	8,358	1,025	1,139
-jointly controlled entity	-	-	7,226	7,179
Property investment				
-Group	46,489	48,802	9,106	5,001
-jointly controlled entity	-	-	2,594	3,737
Investment holding and trading				
-Group	(42,507)	104,134	(37,171)	90,748
	11,652	161,294	(17,220)	107,804
Principal markets:				
People's Republic of China (including Hong Kong)				
-Group	52,946	66,650	15,695	13,662
-jointly controlled entities	-	-	9,820	10,916
United States of America-Group	(26,882)	75,334	(28,210)	64,858
Europe-Group	(4,589)	7,365	(4,638)	6,993
Australia and New Zealand-Group	(1,515)	1,812	(1,534)	1,728
Others-Group	(8,308)	10,133	(8,353)	9,647
	11,652	161,294	(17,220)	107,804

N O T E S T O T H E A C C O U N T S (con't)

3 Operating Loss/Profit

	2000	1999
	HK\$'000	HK\$'000
Operating loss/profit is stated after crediting and charging the following:		

Crediting

Net exchange gain	1,183	-
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Charging

Auditors' remuneration	852	812
Depreciation	1,016	1,056
Management fee expense in respect of investment properties	8,316	8,316
Outgoings in respect of investment properties	494	1,238
Operating leases - land and buildings	2,593	2,605
Retirement benefit costs (Note 6)	729	711
Staff costs	22,588	22,489
Net exchange loss	-	230

4 Finance Costs

	2000	1999
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	29	173