

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 have been prepared 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”). They have been prepared under the historical cost convention as modified by the revaluation of investment properties and investments in securities.

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 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to quantify the effect of these new HKFRSs on its results of operations and financial position.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

Subsidiaries are those entities in which the Group, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove a majority of the members of the board of directors; or to cast a majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

1 Principal Accounting Policies *(con't)*

(b) **Group accounting** *(con't)*

(i) **Consolidation** *(con't)*

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on disposal of subsidiaries represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and any related accumulated foreign currency translation reserve.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision, if necessary, for any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(ii) **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)

(c) Fixed assets

(i) 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.

Investment properties held on leases 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 the investment properties revaluation reserve on a portfolio basis and thereafter are charged to operating profit. Any subsequent increases are credited to operating profit up to the amount previously charged.

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.

(ii) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leasehold land of other properties is depreciated over the period of the leases while other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight line basis. The principal annual rates are as follows :

1 Principal Accounting Policies (con't)

(c) **Fixed assets** (con't)

(ii) **Other fixed assets** (con't)

Buildings	4%
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.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that any 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 to reduce the value of the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

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

(d) **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)*

(d) **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, any related debit amount 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.

(e) **Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

1 Principal Accounting Policies (con't)

(f) 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(d)(ii).

- (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 a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

- (v) Commission income

Commission income is recognised when services are rendered.

(g) 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.

1 Principal Accounting Policies *(con't)*

(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 taxation 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 jointly controlled entities, 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) **Borrowing costs**

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

(j) **Translation of 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 balance sheets of subsidiaries and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as movements in reserves.

1 Principal Accounting Policies *(con't)*

(k) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment assets consist primarily of fixed assets, investments in securities, receivables and operating cash and exclude items such as deferred taxation assets. Segment liabilities comprise operating liabilities and exclude items such as taxation and deferred taxation liabilities. Capital expenditure represents additions to fixed assets.

In respect of geographical segment reporting, results from textile and property are presented based on the country of operations and the country in which these properties are located respectively. Results from investments are presented based on the country in which these investments are listed or funded. Total assets and capital expenditure are presented based on where the assets are located.

(l) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

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 :

	2004 HK\$'000	2003 HK\$'000
Gross rental income from investment properties	31,515	32,580
Net realised and unrealised gains on trading investments	17,400	54,093
Dividend income from listed investments	2,070	2,933
Dividend income from unlisted investments	1,547	570
Interest income	2,454	1,842
Management fee income from investment properties	8,301	8,002
Commission income (Note 25)	8,458	5,398
	71,745	105,418
	71,745	105,418

(a) Primary reporting format - business segments

The Group is organised on a worldwide basis into three main business segments:

Textile - manufacture and distribution of textile products

Property - investment in and leasing of industrial/office premises

Investment - holding and trading of investment securities

There are no sales or other transactions between the business segments.

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)

(a) Primary reporting format - business segments (con't)

	Textile 2004 HK\$'000	Property 2004 HK\$'000	Investment 2004 HK\$'000	Group 2004 HK\$'000
Turnover	8,458	39,816	23,471	71,745
Segment results	<u>3,263</u>	<u>6,335</u>	<u>20,196</u>	29,794
Finance costs				(89)
Share of profits of jointly controlled entities	9,912	-	-	<u>9,912</u>
Profit before taxation				39,617
Taxation				<u>(2,497)</u>
Profit for the year				<u>37,120</u>
Segment assets	5,339	475,499	497,470	978,308
Jointly controlled entities	93,386	-	-	93,386
Unallocated assets				317
Total assets				<u>1,072,011</u>
Segment liabilities	751	43,339	1,725	45,815
Unallocated liabilities				8,935
Total liabilities				<u>54,750</u>
Capital expenditure	51	46	-	97
Depreciation	<u>320</u>	<u>104</u>	<u>23</u>	<u>447</u>

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)

(a) Primary reporting format - business segments (con't)

	Textile 2003 HK\$'000	Property 2003 HK\$'000	Investment 2003 HK\$'000	Group 2003 HK\$'000
Turnover	5,398	40,582	59,438	105,418
Segment results	1,568	1,279	45,244	48,091
Finance costs				(112)
Share of profits of jointly controlled entities	10,562	-	-	10,562
Profit before taxation				58,541
Taxation				(2,151)
Profit for the year				56,390
Segment assets	3,682	308,675	469,318	781,675
Jointly controlled entities	92,514	-	-	92,514
Unallocated assets				232
Total assets				874,421
Segment liabilities	430	34,064	1,938	36,432
Unallocated liabilities				7,625
Total liabilities				44,057
Capital expenditure	-	20	-	20
Depreciation	318	290	25	633
Impairment of non-trading investments	-	-	1,250	1,250
Loss on liquidation of a subsidiary	7,811	-	-	7,811

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)

(b) Secondary reporting format - geographical segments

The Group's three main business segments operate in the following main geographical areas :

People's Republic of China (including Hong Kong) - textile, property and investment

United States of America, Europe and Southeast Asia - investment

There are no sales or other transactions between the geographical segments.

	Turnover 2004 HK\$'000	Segment results 2004 HK\$'000	Total assets 2004 HK\$'000	Capital expenditure 2004 HK\$'000
People's Republic of China (including Hong Kong)	47,665	6,784	491,511	97
United States of America	13,261	12,736	337,205	-
Europe	6,725	6,237	54,556	-
Southeast Asia	(495)	(285)	32,231	-
Other countries	4,589	4,322	62,805	-
	71,745	29,794	978,308	97
Jointly controlled entities			93,386	
Unallocated assets			317	
Total assets			1,072,011	

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)

(b) Secondary reporting format - geographical segments (con't)

	Turnover 2003 HK\$'000	Segment results 2003 HK\$'000	Total assets 2003 HK\$'000	Capital expenditure 2003 HK\$'000
People's Republic of China (including Hong Kong)	49,569	2,402	325,572	20
United States of America	34,588	33,196	309,958	-
Europe	11,309	10,821	57,851	-
Southeast Asia	6,839	(1,285)	32,476	-
Other countries	3,113	2,957	55,818	-
	105,418	48,091	781,675	20
Jointly controlled entities			92,514	
Unallocated assets			232	
Total assets			874,421	

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

3 Operating Profit

	2004	2003
	HK\$'000	HK\$'000
Operating profit is stated after crediting and charging the following:		
Crediting:		
Net exchange gain	26	-
	<u> </u>	<u> </u>
Charging:		
Auditors' remuneration	820	810
Depreciation	447	633
Management fee expense in respect of investment properties	8,316	8,316
Outgoings in respect of investment properties	1,875	1,821
Operating leases - land and buildings	1,321	2,216
Staff costs (including directors' emoluments)	24,133	26,645
Impairment of non-trading investments	-	1,250
Net exchange loss	-	73
	<u> </u>	<u> </u>

4 Finance Costs

	2004	2003
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	89	112
	<u> </u>	<u> </u>

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

5 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2004	2003
	HK\$'000	HK\$'000
Company and subsidiaries:		
Hong Kong profits tax	526	426
Over provision in prior years	(44)	(375)
Deferred taxation relating to the origination and reversal of temporary differences	918	162
Increase in deferred taxation liabilities due to change in tax rate	-	601
	1,400	814
Share of overseas taxation attributable to jointly controlled entities	1,097	1,337
	2,497	2,151

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rate, being the weighted average of rates prevailing in the territories where the Group operates, and the difference is set out below:

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

5 Taxation *(con't)*

	2004	2003
	HK\$'000	HK\$'000
Profit before taxation	39,617	58,541
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Theoretical tax at weighted average rate of 16.4% (2003: 16.5%)	6,494	9,683
Income not subject to taxation	(5,008)	(10,228)
Expenses not deductible for taxation purposes	1,315	2,856
Temporary differences not recognised	(50)	(44)
Increase in deferred taxation liabilities due to change in tax rate	-	601
Recognition of previously unrecognised tax losses	(8)	-
Utilisation of previously unrecognised tax losses	(55)	(377)
Tax losses not recognised	80	35
Over provision of current tax in prior years	(44)	(375)
Recognition of previously unrecognised temporary differences	(227)	-
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Taxation charge	2,497	2,151
<hr/>		

6 Profit attributable to the shareholders

Included in the profit for the year is a profit of HK\$14,310,000 (2003: HK\$3,398,000) which is dealt with in the accounts of the Company.

7 Dividends

	2004	2003
	HK\$'000	HK\$'000
2003 final dividend paid of HK\$0.35 (2003: 2002 final dividend paid of HK\$0.10) per share	15,894	4,622
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At a meeting held on 6th April 2005 the directors proposed a final dividend of HK\$0.30 per share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 31st December 2005.

8 Directors' and Senior Management's Emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2004	2003
	HK\$'000	HK\$'000
Fees	662	365
Other emoluments		
Salaries, housing and other allowances and benefits in kind	13,635	13,775
Discretionary bonuses	2,644	2,644
Contributions to retirement schemes	767	767
	17,708	17,551
	17,708	17,551

The emoluments of the directors fell within the following bands:

Emoluments bands	Number of directors	
	2004	2003
Nil - HK\$1,000,000	3	6
HK\$1,500,001 - HK\$2,000,000	1	1
HK\$4,500,001 - HK\$5,000,000	2	2
HK\$5,000,001 - HK\$5,500,000	1	1
	1	1
	1	1

Emoluments paid to independent non-executive directors for the year represented directors' fees of HK\$566,000 (2003 : HK\$263,000). No other benefits in kind were paid to independent non-executive directors during the year (2003: HK\$120,000).

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

8 Directors' and Senior Management's Emoluments (con't)

(b) Emoluments of the five highest paid individuals

Details of the emoluments of the five highest paid individuals in the Group including 4 (2003: 4) directors are as follows:

	2004	2003
	HK\$'000	HK\$'000
Fees	96	80
Salaries, housing and other allowances, benefits in kind	14,987	15,215
Contributions to retirement schemes	779	779
Bonuses	2,644	2,644
	18,506	18,718
	18,506	18,718

The emoluments of the five highest paid individuals fell within the following bands:

	Number of individuals	
Emoluments bands	2004	2003
HK\$1,500,001 - HK\$2,000,000	2	2
HK\$4,500,001 - HK\$5,000,000	2	2
HK\$5,000,001 - HK\$5,500,000	1	1
	5	5
	5	5

9 Retirement Benefit Costs

The Group contributes to a defined contribution retirement scheme which is available to certain Hong Kong senior employees (“Senior Staff Scheme”). With effect from 1st December 2000, a mandatory provident fund scheme has been set up for the other eligible employees of the Group in Hong Kong. Contributions to the schemes by the Group are made at a certain percentage of basic monthly salary. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group’s contributions to these schemes of HK\$971,000 (2003: HK\$968,000) for the year are expensed as incurred. Contributions to the Senior Staff Scheme may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. There was no contribution forfeited during the year (2003:HK\$Nil). Contributions totalling HK\$5,000 (2003: HK\$3,000) were payable to the schemes at the year end, which are included in trade and other payables.

10 Earnings per Share

The calculation of earnings per share is based on the profit for the year of HK\$37,120,000 (2003: HK\$56,390,000) and the weighted average number of shares in issue during the year of 45,381,270 (2003: 46,074,099).

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

11 Fixed Assets Group

	Investment properties HK\$'000	Other properties HK\$'000	Others HK\$'000	Total HK\$'000
Cost or valuation				
At 1st January 2004	287,000	12,189	3,775	302,964
Additions	-	-	97	97
Disposals	-	-	(6)	(6)
Revaluation surplus (Note 19)	157,220	-	-	157,220
	<u>444,220</u>	<u>12,189</u>	<u>3,866</u>	<u>460,275</u>
At 31st December 2004	-----	-----	-----	-----
Accumulated depreciation and impairment losses				
At 1st January 2004	-	8,096	3,664	11,760
Charge for the year	-	371	76	447
Disposals	-	-	(4)	(4)
	<u>-</u>	<u>8,467</u>	<u>3,736</u>	<u>12,203</u>
At 31st December 2004	=====	=====	=====	=====
Net book value				
At 31st December 2004	<u>444,220</u>	<u>3,722</u>	<u>130</u>	<u>448,072</u>
At 31st December 2003	<u>287,000</u>	<u>4,093</u>	<u>111</u>	<u>291,204</u>

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

11 Fixed Assets (con't)

Investment properties are stated at valuation as at 31st December 2004 based on valuations performed by Prudential Surveyors International Limited, an independent professional valuer, on an open market value basis. Other fixed assets are stated at cost.

The Group's interests in investment properties and other properties at their net book value are analysed as follows:

	Investment properties		Other properties	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
In Hong Kong, held on:				
Leases of between 10 and 50 years	444,220	287,000	1,649	1,863
Outside Hong Kong, held on:				
Leases of over 50 years	-	-	472	494
Leases of between 10 and 50 years	-	-	1,601	1,736
	444,220	287,000	3,722	4,093
	444,220	287,000	3,722	4,093

The Group's investment properties with an aggregate carrying value of HK\$431,000,000 (2003: HK\$277,000,000) have been mortgaged to a bank to secure general banking facilities of which amount of HK\$11,000,000 was utilised as at 31st December 2004. (2003: HK\$Nil).

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

12 Subsidiaries

	Company	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	378,782	378,782
Amount due from a subsidiary	25,017	30,865
	403,799	409,647

The amount due from a subsidiary is unsecured, interest free and has no fixed terms of repayment.

Particulars of the principal subsidiaries are included in note 27.

13 Jointly Controlled Entities

	Group	
	2004	2003
	HK\$'000	HK\$'000
Share of net assets	98,643	96,023
Amount due from a jointly controlled entity	13	13
Amounts due to jointly controlled entities	(5,270)	(3,522)
	93,386	92,514

The amounts due from/to jointly controlled entities are unsecured, interest free and have no fixed terms of repayment.

The following is a list of the jointly controlled entities as at 31st December 2004 and 2003:

Name	Place of establishment and operation	Principal activities
Shanghai Sung Nan Textile Co Ltd (Note a)	People's Republic of China	Textile manufacturing
Southern Textile Company Limited (Note b)	People's Republic of China	Investment in textile business

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

13 Jointly Controlled Entities (con't)

(a) The Group has a 64.68% interest in ownership and profit sharing and 57% voting power in Shanghai Sung Nan Textile Co Ltd.

A summary of its audited financial information for the years ended 31st December 2004 and 2003 is as follows:

Results for the year

	2004	2003
	HK\$'000	HK\$'000
Turnover	179,946	120,207
Operating profit	10,906	9,370
Taxation	(876)	(1,246)
Profit after taxation	<u>10,030</u>	<u>8,124</u>
Net assets		
Fixed assets	74,786	82,591
Other non-current assets	323	-
Current assets	94,215	81,803
Current liabilities	(17,718)	(17,167)
	<u>151,606</u>	<u>147,227</u>

(b) The Group has a 45% interest in ownership and profit sharing and 43% voting power in Southern Textile Company Limited.

14 Non-trading Investments

	Group	
	2004	2003
	HK\$'000	HK\$'000
Equity securities, at fair value		
Listed in Hong Kong	4,858	5,059
Unlisted	44,054	31,837
	<u>48,912</u>	<u>36,896</u>
Unlisted investment in venture capital fund, at fair value	3,727	3,519
	<u>52,639</u>	<u>40,415</u>

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

15 Trade and Other Receivables

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables (Note a)	524	456	-	-
Prepayments and deposits	5,792	6,015	189	189
Other receivables	493	617	-	-
	6,809	7,088	189	189
	6,809	7,088	189	189

(a) The Group does not grant any credit to customers. At 31st December 2004, the aging analysis of the trade receivables is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within 30 days	475	430
31 - 60 days	40	26
61 - 90 days	9	-
	524	456
	524	456

16 Trading Investments

	Group	
	2004	2003
	HK\$'000	HK\$'000
Equity securities, at fair value		
Listed in Hong Kong	7,846	11,472
Listed outside Hong Kong	282,645	305,534
	290,491	317,006
Debt securities, at fair value		
Listed outside Hong Kong	86,500	105,354
	376,991	422,360
	376,991	422,360

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

17 Trade and Other Payables

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables (Note a)	1,623	2,449	-	-
Rental and management fee deposits	8,881	9,347	-	-
Other payables and accruals	24,311	24,636	822	889
	<u>34,815</u>	<u>36,432</u>	<u>822</u>	<u>889</u>

(a) At 31st December 2004, the aging analysis of the trade payables is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within 30 days	1,283	1,416
31 - 60 days	340	693
61 - 90 days	-	340
	<u>1,623</u>	<u>2,449</u>

18 Share Capital

	2004	2003
	HK\$'000	HK\$'000
Authorised:		
60,000,000 shares of HK\$0.10 each	6,000	6,000
	<u> </u>	<u> </u>
Issued and fully paid:		
45,095,299 (2003: 45,650,799) shares of HK\$0.10 each	4,509	4,565
	<u> </u>	<u> </u>

During the year, the Company repurchased a total of 555,500 (2003: 630,000) of its own shares on The Stock Exchange of Hong Kong Limited, all of which were then cancelled. The aggregate price of HK\$4,228,000 (2003: HK\$3,908,000) paid was charged against retained profits and the nominal value of the shares repurchased of HK\$56,000 (2003: HK\$63,000) was transferred to the capital redemption reserve.

NOTES TO THE ACCOUNTS *(con't)*

19 Reserves

Group	Investment properties		Investments	Capital		Statutory	Exchange	Capital	Retained	Total
	Contributed surplus	revaluation reserve	revaluation reserve	reserve on consolidation	General reserve	reserves	fluctuation reserve	redemption reserve	profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2004	20,000	25,730	14,380	1,000	76,000	9,488	6,641	435	672,125	825,799
Profit for the year	-	-	-	-	-	-	-	-	37,120	37,120
Transfer to statutory reserves of jointly controlled entities	-	-	-	-	-	1,050	-	-	(1,050)	-
Shares repurchased and cancelled (Note 18)	-	-	-	-	-	-	-	56	(4,228)	(4,172)
Revaluation surplus	-	157,220	12,252	-	-	-	-	-	-	169,472
Exchange translation differences	-	-	-	-	-	-	427	-	-	427
2003 final dividend paid (Note 7)	-	-	-	-	-	-	-	-	(15,894)	(15,894)
At 31st December 2004	20,000	182,950	26,632	1,000	76,000	10,538	7,068	491	688,073	1,012,752
Retained by:										
Company and subsidiaries	20,000	182,950	26,632	1,000	76,000	-	7,068	491	646,344	960,485
Jointly controlled entities	-	-	-	-	-	10,538	-	-	41,729	52,267
At 31st December 2004	20,000	182,950	26,632	1,000	76,000	10,538	7,068	491	688,073	1,012,752
Representing:										
Reserves at 31st December 2004										999,223
2004 final dividend proposed										13,529
At 31st December 2004										1,012,752
At 1st January 2003	20,000	25,730	7,588	1,000	76,000	8,625	2,895	372	622,063	764,273
Profit for the year	-	-	-	-	-	-	-	-	56,390	56,390
Release of goodwill upon liquidation of a subsidiary	-	-	-	-	-	-	-	-	3,065	3,065
Release of exchange reserve upon liquidation of a subsidiary	-	-	-	-	-	-	4,694	-	-	4,694
Transfer to statutory reserves of jointly controlled entities	-	-	-	-	-	863	-	-	(863)	-
Shares repurchased and cancelled (Note 18)	-	-	-	-	-	-	-	63	(3,908)	(3,845)
Revaluation surplus	-	-	6,792	-	-	-	-	-	-	6,792
Exchange translation differences	-	-	-	-	-	-	(948)	-	-	(948)
2002 final dividend paid (Note 7)	-	-	-	-	-	-	-	-	(4,622)	(4,622)
At 31st December 2003	20,000	25,730	14,380	1,000	76,000	9,488	6,641	435	672,125	825,799
Retained by:										
Company and subsidiaries	20,000	25,730	14,380	1,000	76,000	-	6,641	435	631,965	776,151
Jointly controlled entities	-	-	-	-	-	9,488	-	-	40,160	49,648
At 31st December 2003	20,000	25,730	14,380	1,000	76,000	9,488	6,641	435	672,125	825,799
Representing:										
Reserves at 31st December 2003										809,821
2003 final dividend proposed										15,978
At 31st December 2003										825,799

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

19 Reserves *(con't)*

Company

	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2004	373,782	435	31,107	405,324
Profit for the year	-	-	14,310	14,310
Shares repurchased and cancelled (Note 18)	-	56	(4,228)	(4,172)
2003 final dividend paid (Note 7)	-	-	(15,894)	(15,894)
	373,782	491	25,295	399,568
Representing:				
Reserves at 31st December 2004				386,039
2004 final dividend proposed				13,529
At 31st December 2004				399,568
At 1st January 2003	373,782	372	36,239	410,393
Profit for the year	-	-	3,398	3,398
Shares repurchased and cancelled (Note 18)	-	63	(3,908)	(3,845)
2002 final dividend paid (Note 7)	-	-	(4,622)	(4,622)
	373,782	435	31,107	405,324
Representing:				
Reserves at 31st December 2003				389,346
2003 final dividend proposed				15,978
At 31st December 2003				405,324

Pursuant to a group reorganisation in 1989, the Company acquired all the issued shares of Nanyang Cotton Mill Limited (“NCML”) in exchange for the Company’s new shares issued. The Group’s contributed surplus represents the difference between the nominal value of NCML’s

19 Reserves (con't)

shares and the nominal value of the Company's shares issued pursuant to the group reorganisation. The Company's contributed surplus represents the difference between the nominal value of the Company's shares issued and the consolidated net assets of NCML acquired under the group reorganisation as at the date of acquisition.

Statutory reserves are created in accordance with the terms of the joint venture agreements of the jointly controlled entities established in the People's Republic of China and are required to be retained in the accounts of the entities for specific purposes. The statutory reserves at 31st December 2004 comprise statutory surplus reserve of HK\$5,269,000 (2003: HK\$4,744,000) and enterprise development reserve of HK\$5,269,000 (2003: HK\$4,744,000) which are appropriated from the profits of the jointly controlled entities.

General reserve arose from transfers from retained profits and has no specific purposes.

20 Deferred Taxation

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

	Group	
	2004	2003
	HK\$'000	HK\$'000
Deferred taxation assets	317	123
Deferred taxation liabilities	(8,411)	(7,299)
	<u>(8,094)</u>	<u>(7,176)</u>

The movement in deferred taxation assets and liabilities (prior to offsetting of balances within the same jurisdiction) during the year is as follows:

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

20 Deferred Taxation *(con't)*

	Deferred taxation liabilities				Deferred taxation assets			
	Accelerated		Accelerated		Tax		Net	
	tax		accounting		losses		balance	
	depreciation		depreciation					
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	(8,175)	(6,528)	123	114	876	-	(7,176)	(6,414)
(Charged)/credited to								
profit and loss account	(1,032)	(1,647)	(2)	9	116	876	(918)	(762)
At 31st December	<u>(9,207)</u>	<u>(8,175)</u>	<u>121</u>	<u>123</u>	<u>992</u>	<u>876</u>	<u>(8,094)</u>	<u>(7,176)</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31st December 2004, the Group had unrecognised tax losses of HK\$11,417,000 (2003:HK\$11,631,000) to carry forward against future taxable income. These tax losses have no expiry date.

21 Capital commitments

At 31st December 2004, the Group had no material capital commitment (2003: HK\$Nil).

	Group	
	2004	2003
	HK\$'000	HK\$'000
The Group's share of capital commitment of a jointly controlled entity is as follows:		
Authorised but not contracted for	<u>53,661</u>	<u>-</u>

The Company had no material capital commitment as at 31st December 2004 (2003:HK\$Nil).

22 Commitments under Operating Leases

At 31st December, the Group had future aggregate minimum lease payments under a non-cancellable operating lease for office premises as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Not later than one year	863	990
Later than one year and not later than five years	970	1,833
	<u>1,833</u>	<u>2,823</u>

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

23 Future Rental Receivables

At 31st December, the Group had future aggregate minimum lease rental receivables under non-cancellable operating leases on its investment properties as follows:

	2004	2003
	HK\$'000	HK\$'000
Not later than one year	24,993	23,314
Later than one year and not later than five years	14,973	18,806
	39,966	42,120

24 Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of operating profit to net cash generated from/(used in) operations:

	2004	2003
	HK\$'000	HK\$'000
Operating profit	29,794	48,091
Dividend income from non-trading investments	(1,667)	(690)
Depreciation	447	633
Loss/(gain) on disposal of fixed assets	2	(4)
Loss on liquidation of a subsidiary	-	7,811
Impairment of non-trading investments	-	1,250
	28,576	57,091
Operating profit before working capital changes		
Decrease/(increase) in trade and other receivables	279	(580)
Decrease/(increase) in trading investments	45,369	(92,577)
(Decrease)/increase in trade and other payables	(1,617)	1,660
Change in balances with jointly controlled entities	1,748	3,223
Exchange translation differences	383	(926)
	74,738	(32,109)
Net cash generated from/(used in) operations	74,738	(32,109)

NOTES TO THE ACCOUNTS *(con't)*

24 Notes to the Consolidated Cash Flow Statement *(con't)*

(b) Analysis of changes in financing:

	Bank loans	
	2004	2003
	HK\$'000	HK\$'000
At 1st January	-	20,000
Drawdown/(repayment) of bank loans	11,000	(20,000)
	<hr/>	<hr/>
At 31st December	11,000	-
	<hr/>	<hr/>

25 Significant Related Party Transactions

During the year, agency commission income of HK\$8,458,000 (2003: HK\$5,398,000) was received by a subsidiary from a jointly controlled entity for handling sales of textile products for the jointly controlled entity. These transactions were entered into in the normal course of business of the Group and the commission income has been calculated at a certain fixed percentage of the value of sales handled by the subsidiary.

26 Approval of Accounts

The accounts were approved by the board of directors on 6th April 2005.

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

27 Details of Principal Subsidiaries

Details of the principal subsidiaries as at 31st December 2004 are as follows:

Name	Place of incorporation	Place of operation	Principal activities	Particulars of issued share capital	Group equity interest	
					2004	2003
Astral Investments Co	Liberia	Hong Kong	Investment trading	1 share without par value issued at US\$10,000	100%	100%
Bravery Co Inc	Liberia	Hong Kong	Investment holding	1 share without par value issued at US\$1,000	100%	100%
Cottage Investments Co SA	Panama	Hong Kong	Investment holding	100 common shares without par value issued at US\$10 each and 100 common shares of US\$10 each	100%	100%
+ Culvert Investments Ltd	British Virgin Islands	Hong Kong	Investment holding	100 shares of US\$1 each	100%	100%
East Coast Investments Ltd	Hong Kong	Hong Kong	Investment trading	2 ordinary shares of US\$1 each	100%	100%
Highriver Estates Ltd	Hong Kong	Hong Kong	Property holding	2 ordinary shares of HK\$1 each	100%	100%
Homestead Investments Inc	Liberia	Hong Kong	Investment holding	1 share without par value issued at US\$10,000	100%	100%
Mepal International Ltd.	Hong Kong	Hong Kong	Property investment	3 ordinary shares of HK\$1 each	100%	100%
Merry Co Inc	Liberia	The People's Republic of China	Property and investment holding	1 share without par value issued at US\$1,000	100%	100%

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

27 Details of Principal Subsidiaries *(con't)*

Name	Place of incorporation	Place of operation	Principal activities	Particulars of issued share capital	Group equity interest	
					2004	2003
Nanyang Cotton Mill Ltd	Hong Kong	Hong Kong	Investment holding and property investment	25,000,000 ordinary shares of HK\$1 each	100%	100%
Nanyangetextile.com Limited	Hong Kong	Hong Kong	Investment holding	2 ordinary shares of HK\$1 each	100%	100%
Peninsular Inc	Liberia	Hong Kong	Investment holding	1 share without par value issued at HK\$10,000	100%	100%
Peninsular Yarn & Fabric Merchandising Ltd	Hong Kong	Hong Kong	Textile sales agency	1,000 ordinary shares of HK\$1 each	100%	100%
Velden Ltd	British Virgin Islands	Hong Kong	Investment holding and trading	10,000 ordinary shares of US\$1 each	100%	100%

+ Subsidiary held directly by the Company.