

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

In the current year, the Group adopted the revised Statement of Standard Accounting Practice No. 12 (“SSAP 12”) “Income taxes” issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003. As a result, the Group has changed its accounting policy for deferred taxation as detailed in note 1(h) below.

(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**

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term highly liquid investments 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 upon the rendering of services.

(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 difference 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.

In prior years, deferred taxation was 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 was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 19 to the accounts, opening retained profits at 1st January 2002 and 2003 have been reduced by HK\$5,542,000 and HK\$6,414,000 respectively, which represent the unprovided net deferred taxation liabilities as at such dates. This change has resulted in an increase in deferred taxation assets and deferred taxation liabilities at 31st December 2002 by HK\$114,000 and HK\$6,528,000, respectively. The loss for the year ended 31st December 2002 has been increased by HK\$872,000.

(i) Borrowing costs

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

1 Principal Accounting Policies *(con't)*

(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.

(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 properties 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 :

	2003	2002
	HK\$'000	HK\$'000
Gross rental income from investment properties	32,580	33,477
Net realised and unrealised gains/(losses) on trading investments	54,093	(41,442)
Dividend income from listed investments	2,933	1,351
Dividend income from unlisted investments	570	918
Interest income	1,842	2,176
Management fee income from investment properties	8,002	7,993
Commission income (Note 25)	5,398	6,374
	105,418	10,847
	105,418	10,847

(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 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	<u>1,568</u>	<u>1,279</u>	<u>45,244</u>	48,091
Finance costs				(112)
Share of profits of jointly controlled entities	10,562	-	-	<u>10,562</u>
Profit before taxation				58,541
Taxation				<u>(2,151)</u>
Profit for the year				<u>56,390</u>
Segment assets	3,682	308,675	469,318	781,675
Investments in jointly controlled entities	92,514	-	-	92,514
Unallocated assets				232
Total assets				<u>874,421</u>
Segment liabilities	430	34,064	1,938	36,432
Unallocated liabilities				7,625
Total liabilities				<u>44,057</u>
Capital expenditure	-	20	-	20
Depreciation	318	290	25	633
Impairment of non-trading investment	-	-	1,250	1,250
Loss on liquidation of a subsidiary	7,811	-	-	7,811
	<u>7,811</u>	<u>-</u>	<u>-</u>	<u>7,811</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 2002 HK\$'000	Property 2002 HK\$'000	Investment 2002 HK\$'000	As restated Group 2002 HK\$'000
Turnover	6,374	41,470	(36,997)	10,847
Segment results	<u>1,671</u>	<u>4,512</u>	<u>(42,649)</u>	(36,466)
Finance costs				(282)
Share of profits of jointly controlled entities	20,389	-	-	<u>20,389</u>
Loss before taxation				(16,359)
Taxation				(1,052)
Loss for the year				<u>(17,411)</u>
Segment assets	4,348	303,568	427,169	735,085
Investments in jointly controlled entities	95,088	-	-	95,088
Unallocated assets				670
Total assets				<u>830,843</u>
Segment liabilities	434	52,080	2,258	54,772
Unallocated liabilities				7,170
Total liabilities				<u>61,942</u>
Capital expenditure	-	7	-	7
Depreciation	320	619	28	967
Impairment of other property	376	-	-	376
Impairment of non- trading investment	-	-	1,640	1,640

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 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

Investments in 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)

2 Turnover and Segment Information (con't)

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

	Turnover	Segment results	As restated		
			2002	Total	Capital
				assets	expenditure
				2002	2002
HK\$'000	HK\$'000	HK\$'000	HK\$'000		
People's Republic of China (including Hong Kong)	48,408	5,250	342,983	7	
United States of America	(37,984)	(42,010)	317,733	-	
Europe	(2,412)	(2,591)	31,990	-	
Southeast Asia	1,403	1,426	14,712	-	
Other countries	1,432	1,459	27,667	-	
	10,847	(36,466)	735,085	7	
Investments in jointly controlled entities			95,088		
Unallocated assets			670		
Total assets			830,843		

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

3 Operating Profit/(Loss)

	2003	2002
	HK\$'000	HK\$'000
Operating profit/(loss) is stated after charging the following:		
Auditors' remuneration	810	810
Depreciation	633	967
Management fee expense in respect of investment properties	8,316	8,316
Net exchange loss	73	-
Outgoings in respect of investment properties	1,821	1,566
Operating leases - land and buildings	2,216	2,221
Staff costs (including directors' emoluments)	26,645	23,871
Impairment of non-trading investments	1,250	1,640
Impairment of other property	-	376
	_____	_____

4 Finance Costs

	2003	2002
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	112	282
	_____	_____

5 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. 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:

	2003	As restated 2002
	HK\$'000	HK\$'000
Company and subsidiaries:		
Hong Kong profits tax	426	359
Over provision in prior years	(375)	(2,011)
Deferred taxation relating to the origination and reversal of temporary differences	162	872
Increase in deferred taxation liabilities due to change in tax rate	601	-
	814	(780)
Share of overseas taxation attributable to jointly controlled entities	1,337	1,832
	2,151	1,052

The taxation on the Group's profit/(loss) 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)*

	2003	2002
	HK\$'000	HK\$'000
Profit/(loss) before taxation	58,541	(16,359)
Theoretical tax at weighted average rate of 16.5% (2002: 20.5%)	9,683	(3,358)
Income not subject to taxation	(10,228)	(3,136)
Expenses not deductible for taxation purposes	2,856	9,843
Temporary differences not recognised	(44)	41
Increase in deferred taxation liabilities due to change in tax rate	601	-
Utilisation of previously unrecognised tax losses	(377)	(38)
Tax losses not recognised	35	48
Tax refund received in respect of prior years	-	(337)
Over provisions in prior years	(375)	(2,011)
Taxation charge	<u>2,151</u>	<u>1,052</u>

6 Profit/(loss) attributable to the shareholders

Included in the profit/(loss) for the year is a profit of HK\$3,398,000 (2002: HK\$3,887,000) which is dealt with in the accounts of the Company.

7 Dividends

	2003	2002
	HK\$'000	HK\$'000
2002 final dividend paid of 10 HK cents (2002: 2001 final dividend paid of 10 HK cents) per share	<u>4,622</u>	<u>4,641</u>

At a meeting held on 2nd April 2004 the directors proposed a final dividend of HK\$0.35 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 2004.

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:

	2003	2002
	HK\$'000	HK\$'000
Fees	365	180
Other emoluments		
Salaries, housing and other allowances and benefits in kind	13,775	12,273
Discretionary bonuses	2,644	1,744
Contributions to retirement schemes	767	575
	17,551	14,772
	17,551	14,772

The emoluments of the directors fell within the following bands:

Emoluments bands	Number of directors	
	2003	2002
Nil - HK\$1,000,000	6	4
HK\$1,500,001 - HK\$2,000,000	1	-
HK\$4,500,001 - HK\$5,000,000	2	2
HK\$5,000,001 - HK\$5,500,000	1	1
	6	7
	6	7

Emoluments paid to independent non-executive directors for the year represented directors' fees of HK\$262,500 (2002 : HK\$60,000) and one-off benefits in kind of HK\$120,000 (2002: Nil) upon the retirement of a long serving director.

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 (2002: 3) directors are as follows:

	2003	2002
	HK\$'000	HK\$'000
Fees	80	72
Salaries, housing and other allowances, benefits in kind	15,215	15,219
Contributions to retirement schemes	779	779
Bonuses	2,644	1,980
	18,718	18,050

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

Emoluments bands	Number of individuals	
	2003	2002
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

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\$968,000 (2002: HK\$971,000) 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 (2002:Nil). Contributions totalling HK\$3,000 (2002: HK\$37,000) were payable to the schemes at the year end, which are included in trade and other payables.

10 Earnings/(loss) per Share

The calculation of earnings/(loss) per share is based on the profit for the year of HK\$56,390,000 (2002: loss of HK\$17,411,000, as restated) and the weighted average number of shares in issue during the year of 46,074,099 (2002: 46,380,028).

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 2003	287,000	12,189	3,782	302,971
Additions	-	-	20	20
Disposals	-	-	(27)	(27)
	287,000	12,189	3,775	302,964
	287,000	12,189	3,775	302,964
 Accumulated depreciation and impairment losses				
At 1st January 2003	-	7,725	3,428	11,153
Charge for the year	-	371	262	633
Disposals	-	-	(26)	(26)
	-	8,096	3,664	11,760
	-	8,096	3,664	11,760
 Net book value				
At 31st December 2003	287,000	4,093	111	291,204
At 31st December 2002	287,000	4,464	354	291,818

11 Fixed Assets (con't)

Investment properties are stated at valuation 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	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
In Hong Kong, held on:				
Leases of between 10 to 50 years	287,000	287,000	1,863	2,077
Outside Hong Kong, held on:				
Leases of over 50 years	-	-	494	516
Leases of between 10 to 50 years	-	-	1,736	1,871
	<u>287,000</u>	<u>287,000</u>	<u>4,093</u>	<u>4,464</u>

The Group's investment properties with an aggregate carrying value of HK\$277,000,000 (2002: HK\$277,000,000) have been mortgaged to a bank to secure general banking facilities.

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

12 Investments in Subsidiaries

	Company	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	378,782	378,782
Amount due from a subsidiary	30,865	36,047
	409,647	414,829

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

Particulars of subsidiaries are included in note 27.

13 Investments in Jointly Controlled Entities

	Group	
	2003	2002
	HK\$'000	HK\$'000
Share of net assets	96,023	95,374
Amount due from a jointly controlled entity	13	13
Amounts due to jointly controlled entities	(3,522)	(299)
	92,514	95,088

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 2003 and 2002:

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 Investments in 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 2003 and 2002 is as follows:

Results for the year

	2003	2002
	HK\$'000	HK\$'000
Turnover	120,207	141,119
Operating profit	9,370	19,750
Taxation	(1,246)	(1,930)
Profit after taxation	<u>8,124</u>	<u>17,820</u>
Net assets		
Fixed assets	82,591	77,583
Current assets	81,803	89,884
Current liabilities	(17,167)	(19,351)
	<u>147,227</u>	<u>148,116</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	
	2003	2002
	HK\$'000	HK\$'000
Equity securities, at fair value		
Listed in Hong Kong	5,059	3,935
Unlisted	31,837	27,683
	<u>36,896</u>	<u>31,618</u>
Unlisted investment in venture capital fund, at fair value	3,519	3,556
	<u>40,415</u>	<u>35,174</u>

NOTES TO THE ACCOUNTS *(con't)*

15 Trade and Other Receivables

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables (Note a)	456	368	-	-
Prepayments and deposits	6,015	5,659	189	44
Other receivables	617	481	-	-
	7,088	6,508	189	44
	7,088	6,508	189	44

(a) The Group does not grant any credit to customers. At 31st December 2003 the aging analysis of the trade receivables is as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Within 30 days	430	368
31 - 60 days	26	-
	456	368
	456	368

16 Trading Investments

	Group	
	2003	2002
	HK\$'000	HK\$'000
Equity securities, at fair value		
Listed in Hong Kong	11,472	1,288
Listed outside Hong Kong	305,534	208,816
	317,006	210,104
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Debt securities, at fair value		
Listed outside Hong Kong	105,354	99,684
Unlisted	-	19,995
	105,354	119,679
	422,360	329,783

NOTES TO THE ACCOUNTS *(con't)*

17 Trade and Other Payables

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables (Note a)	2,449	3,057	-	-
Rental and management fee deposits	9,347	9,657	-	-
Other payables and accruals	24,636	22,058	889	768
	36,432	34,772	889	768

(a) At 31st December 2003 the aging analysis of the trade payables is as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
Within 30 days	1,416	2,024
31 - 60 days	693	693
61 - 90 days	340	340
	2,449	3,057

18 Share Capital

	2003	2002
	HK\$'000	HK\$'000
Authorised:		
60,000,000 shares of HK\$0.10 each	6,000	6,000
Issued and fully paid:		
45,650,799 (2002: 46,280,799) shares of HK\$0.10 each	4,565	4,628

During the year, the Company repurchased a total of 630,000 (2002: 215,000) of its own shares on The Stock Exchange of Hong Kong Limited, all of which were then cancelled. The aggregate price of HK\$3,908,000 (2002: HK\$1,117,000) paid was charged against retained profits and the nominal value of the shares repurchased of HK\$63,000 (2002: HK\$22,000) was transferred to the capital redemption reserve.

NOTES TO THE ACCOUNTS *(con't)*

19 Reserves

Group	Contributed surplus HK\$'000	Investment properties revaluation reserve HK\$'000	Investments revaluation reserve HK\$'000	Capital reserve on consolidation HK\$'000	General reserve HK\$'000	Statutory reserves HK\$'000	Exchange fluctuation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2003, as previously reported	20,000	25,730	7,588	1,000	76,000	8,625	2,895	372	628,477	770,687
Effect of adopting revised SSAP 12 (Note 1 (h))	-	-	-	-	-	-	-	-	(6,414)	(6,414)
At 1st January 2003, as restated	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	<u>20,000</u>	<u>25,730</u>	<u>14,380</u>	<u>1,000</u>	<u>76,000</u>	<u>9,488</u>	<u>6,641</u>	<u>435</u>	<u>672,125</u>	<u>825,799</u>
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	<u>20,000</u>	<u>25,730</u>	<u>14,380</u>	<u>1,000</u>	<u>76,000</u>	<u>9,488</u>	<u>6,641</u>	<u>435</u>	<u>672,125</u>	<u>825,799</u>
Representing:										
Reserves at 31st December 2003										809,821
2003 final dividend proposed										15,978
At 31st December 2003										<u>825,799</u>
At 1st January 2002, as previously reported	20,000	82,730	9,011	1,000	76,000	7,387	2,922	350	652,012	851,412
Effect of adopting revised SSAP 12 (Note 1 (h))	-	-	-	-	-	-	-	-	(5,542)	(5,542)
At 1st January 2002, as restated	20,000	82,730	9,011	1,000	76,000	7,387	2,922	350	646,470	845,870
Loss for the year, as restated	-	-	-	-	-	-	-	-	(17,411)	(17,411)
Transfer to statutory reserves of jointly controlled entities	-	-	-	-	-	1,238	-	-	(1,238)	-
Shares repurchased and cancelled (Note 18)	-	-	-	-	-	-	-	22	(1,117)	(1,095)
Impairment of non-trading investment	-	-	1,640	-	-	-	-	-	-	1,640
Revaluation deficit	-	(57,000)	(3,063)	-	-	-	-	-	-	(60,063)
Exchange translation differences	-	-	-	-	-	-	(27)	-	-	(27)
2001 final dividend paid (Note 7)	-	-	-	-	-	-	-	-	(4,641)	(4,641)
At 31st December 2002	<u>20,000</u>	<u>25,730</u>	<u>7,588</u>	<u>1,000</u>	<u>76,000</u>	<u>8,625</u>	<u>2,895</u>	<u>372</u>	<u>622,063</u>	<u>764,273</u>
Retained by:										
Company and subsidiaries	20,000	25,730	7,588	1,000	76,000	-	2,895	372	581,689	715,274
Jointly controlled entities	-	-	-	-	-	8,625	-	-	40,374	48,999
At 31st December 2002	<u>20,000</u>	<u>25,730</u>	<u>7,588</u>	<u>1,000</u>	<u>76,000</u>	<u>8,625</u>	<u>2,895</u>	<u>372</u>	<u>622,063</u>	<u>764,273</u>
Representing:										
Reserves at 31st December 2002										759,645
2002 final dividend proposed										4,628
At 31st December 2002										<u>764,273</u>

NOTES TO THE ACCOUNTS *(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 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
				405,324
At 31st December 2003				405,324
At 1st January 2002	373,782	350	38,110	412,242
Profit for the year	-	-	3,887	3,887
Shares repurchased and cancelled (Note 18)	-	22	(1,117)	(1,095)
2001 final dividend paid (Note 7)	-	-	(4,641)	(4,641)
	373,782	372	36,239	410,393
Representing:				
Reserves at 31st December 2002				405,765
2002 final dividend proposed				4,628
				410,393
At 31st December 2002				410,393

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 2003 comprise statutory surplus reserve of HK\$4,744,000 (2002: HK\$4,312,500) and enterprise development reserve of HK\$4,744,000 (2002: HK\$4,312,500) 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% (2002: 16%).

	Group	
	2003	2002
	HK\$'000	HK\$'000
Deferred taxation assets	123	114
Deferred taxation liabilities	(7,299)	(6,528)
	(7,176)	(6,414)
	(7,176)	(6,414)

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

NOTES TO THE ACCOUNTS *(con't)*

20 Deferred Taxation *(con't)*

	Deferred taxation liabilities				Deferred taxation assets			
	Accelerated		Accelerated		Tax		Net	
	tax		accounting		loss		Balances	
	depreciation		depreciation		loss		Balances	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 st January	(6,528)	(5,628)	114	86	-	-	(6,414)	(5,542)
(Charged)/credited to								
profit and loss account	(1,647)	(900)	9	28	876	-	(762)	(872)
At 31st December	<u>(8,175)</u>	<u>(6,528)</u>	<u>123</u>	<u>114</u>	<u>876</u>	<u>-</u>	<u>(7,176)</u>	<u>(6,414)</u>

Deferred income tax assets are recognised for tax loss carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st December 2003, the Group had unrecognised tax losses of HK\$11,631,000 (2002:HK\$13,580,000) to carry forward against future taxable income. The tax losses have no expiry date.

21 Capital commitments

At 31st December 2003, the Group had no material capital commitment (2002: HK\$7,018,000).

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	
	2003	2002
	HK\$'000	HK\$'000
Not later than one year	990	1,884
Later than one year and not later than five years	1,833	236
	<u>2,823</u>	<u>2,120</u>

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:

	2003	2002
	HK\$'000	HK\$'000
Not later than one year	23,314	25,813
Later than one year and not later than five years	18,806	25,290
	<u>42,120</u>	<u>51,103</u>

24 Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of operating profit/(loss) to net cash outflow from operating activities:

	2003	2002
	HK\$'000	HK\$'000
Operating profit/(loss)	48,091	(36,466)
Dividend income from non-trading investments	(690)	(1,038)
Depreciation	633	967
(Gain)/loss on disposal of fixed assets	(4)	6
Loss on liquidation of a subsidiary	7,811	-
Impairment of non-trading investments	1,250	1,640
Impairment of other property	-	376
	57,091	(34,515)
Operating profit/(loss) before working capital changes		
(Increase)/decrease in trade and other receivables	(580)	975
Increase in trading investments	(92,577)	(4,052)
Increase/(decrease) in trade and other payables	1,660	(4,520)
Change in balances with jointly controlled entities	3,223	(615)
Exchange translation differences	(926)	(27)
	(32,109)	(42,754)
Cash outflow from operations		
Interest paid	(112)	(282)
Hong Kong profits tax refunded/(paid)	80	(859)
	(32,141)	(43,895)
Net cash outflow from operating activities	(32,141)	(43,895)

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

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

(b) Analysis of changes in financing:

	Bank loans	
	2003	2002
	HK\$'000	HK\$'000
At 1st January	20,000	-
(Repayment)/drawdown of bank loans	(20,000)	20,000
	-	20,000
At 31st December	-	20,000

(c) Major non-cash transaction

During the year, the Group completed the voluntary liquidation of Kamunting Garments Sdn Bhd, a wholly owned subsidiary incorporated in Malaysia.

	2003	2002
	HK\$'000	HK\$'000
Net assets disposed of:		
Accounts and other receivables	175	-
Trade and other payables	(123)	-
	52	-
Release of exchange reserve	4,694	-
Release of goodwill	3,065	-
	7,811	-
Loss on disposal	(7,811)	-
	-	-
Consideration	-	-

25 Significant Related Party Transactions

During the year, agency commission income of HK\$5,398,000 (2002: HK\$6,374,000) 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 2nd April 2004.

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

27 Subsidiaries

Details of subsidiaries as at 31st December 2003 are as follows:

Name	Place of incorporation	Place of operation	Principal activities	Particulars of issued share capital	Group equity interest	
					2003	2002
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%
Bright Honest Investment Ltd	British Virgin Islands	¹	Inactive	50,000 shares issued at US\$1 each	100%	-
Commonwealth Garment Co Ltd	Hong Kong	¹	Inactive	58,000 ordinary shares of HK\$100 each	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%
# Kamunting Garments Sdn Bhd	Malaysia	¹	Liquidated	4,250,000 shares issued at M \$1 each	-	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 Subsidiaries *(con't)*

Name	Place of incorporation	Place of operation	Principal activities	Particulars of issued share capital	Group equity interest	
					2003	2002
Nanyang Cotton Mill Ltd	Hong Kong	Hong Kong	Investment holding and property investment	25,000,000 ordinary shares of HK\$1 each	100%	100%
Nanyang Industrial (China) Limited	Hong Kong	¹	Inactive	2 ordinary shares of HK\$1 each	100%	-
Nanyangtextile.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%

¹ Place of operation is not applicable as these companies are inactive or have been liquidated.

+ Subsidiary held directly by the Company.

Subsidiary liquidated during the year.