

# Notes to the Accounts

## 1 PRINCIPAL ACCOUNTING POLICIES

### (a) Statement of compliance

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the principal accounting policies adopted by the Group is set out below.

### (b) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost modified by marking to market of certain investments in securities as explained in the accounting policies set out below.

### (c) Basis of consolidation

- (i) The consolidated accounts included the accounts of the Company and all its subsidiaries made up to 31 December each year.
- (ii) Results of new subsidiaries are included from the respective dates of acquisition. Results of subsidiaries disposed of during the year are included up to the respective dates of disposal.
- (iii) Goodwill arising on consolidation, representing the excess of the cost of investments in subsidiaries and associates over the appropriate share of the fair value of the separable net assets at date of acquisition, is charged to reserves in the year in which it arises. On disposal of a subsidiary or associate, the attributable amount of goodwill is included in calculating the profit or loss on disposal.

### (d) Investments in subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Investments in subsidiaries in the Company's balance sheet are stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each subsidiary individually. Any such provisions are recognised as expenses in the Company's profit and loss account.

# Notes to the Accounts (Continued)

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (e) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the associates for the year.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. If there is evidence of an impairment of the assets transferred, the unrealised losses will be recognised immediately in the profit and loss account.

### (f) Investments in securities

- (i) Held-to-maturity securities are stated in the balance sheet at amortised cost less any provisions for diminution in value.

The carrying amounts of held-to-maturity securities are reviewed as at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised as expenses in the profit and loss account, such provisions being determined for each security individually.

- (ii) Non-trading securities are classified as long term investments in the balance sheet and stated at fair value. Changes in fair value are recognised in the investment revaluation reserve until the security is sold, collected, or otherwise disposed of, or until there is objective evidence that the security is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the profit and loss account.

Transfers from the investment revaluation reserve to the profit and loss account as a result of impairments are reversed when the circumstances and events that led to the impairment ceased to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

- (iii) Trading securities are classified as short term investments under current assets in the balance sheet and stated at fair value. Changes in fair value are recognised in the profit and loss account as they arise.

# Notes to the Accounts (Continued)

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (f) Investments in securities (Continued)

(iv) Profits and losses on disposal of investments in securities are accounted for in the profit and loss account as they arise. In the case of non-trading securities, the profit or loss includes any amount previously held in the investment revaluation reserve in respect of that security.

### (g) Foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary foreign currency balances and the accounts of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Differences on foreign currency translation are dealt with in the profit and loss account with the exception of those arising on the translation of the accounts of overseas subsidiaries which are dealt with in the exchange reserve.

Gains or losses on outstanding forward contracts computed by reference to the forward rates at the balance sheet date are dealt with in the profit and loss account.

### (h) Revenue recognition

Interest income is accrued on a time-apportioned basis on the principal outstanding and the rate applicable. Dividend income is recognised at the date at which the right to receive payment is established. Rental income is recognised on an accruals basis. Proceeds from sale of properties are recognised upon completion of the sales agreements.

### (i) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individual or other entities.

# Notes to the Accounts (Continued)

## 2 TURNOVER

The principal activity of the Company is investment holding and those of its subsidiaries are set out in Note 15.

Turnover represents the following:

	2000 HK\$million	1999 HK\$million
Dividend income from listed securities	3.6	5.5
Interest income from held-to-maturity listed securities	4.3	5.9
Interest income from deposits and advances	22.4	16.7
Property sale proceeds and rental income	11.4	0.2
	<u>41.7</u>	<u>28.3</u>

## 3 OTHER NET (LOSS)/INCOME

	2000 HK\$million	1999 HK\$million
Net realised (loss)/gain on disposal of securities, net of deficit transferred from investment revaluation reserve of HK22.4 million (1999: HK\$17.0 million)	(21.5)	27.4
Impairment in value of non-trading securities transferred from investment revaluation reserve	—	(16.9)
Net realised and unrealised exchange losses	—	(2.2)
Write-back of provision for expenses relating to discontinued shipping operations	7.0	—
	<u>(14.5)</u>	<u>8.3</u>

# Notes to the Accounts (Continued)

## 4 OPERATING PROFIT

	2000	1999
	HK\$million	HK\$million
<b>(a) Operating profit is arrived at after charging:</b>		
Auditors' remuneration	0.5	0.5
	<u>0.5</u>	<u>0.5</u>
<b>and crediting:</b>		
Rental income less outgoings	0.2	0.2
	<u>0.2</u>	<u>0.2</u>
<b>(b) Directors' emoluments</b>		
Fees ( <i>Note</i> )	—	—
Basic salaries, housing and other allowances, and benefits in kind	—	—
Pension scheme contributions	—	—
Discretionary bonuses and/or performance-related bonuses	—	—
Compensation for loss of office	—	—
Inducement for joining the Group	—	—
	<u>—</u>	<u>—</u>

*Note:* For the year under review, total emoluments (including any reimbursement of expenses) amounting to HK\$44,837 (1999: HK\$24,027), being wholly in the form of directors' fees, were paid/payable to independent non-executive directors of the Company.

## 5 TAXATION CREDIT/(CHARGE)

(a) Taxation credit/(charge) in the consolidated profit and loss account represents:

	2000	1999
	HK\$million	HK\$million
The Company and subsidiaries		
Hong Kong profits tax		
- current year	(0.9)	(2.0)
- overprovision in respect of prior years	5.0	—
	<u>4.1</u>	<u>(2.0)</u>

The current year provision for Hong Kong profits tax represents 16% of the Group's assessable profit for the year.

(b) No provision for deferred taxation has been made as the effect of all timing differences is immaterial.

# Notes to the Accounts (Continued)

## 6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a profit of HK\$141.7 million (1999: HK\$26.5 million).

## 7 DIVIDENDS

	2000	1999
	HK\$million	HK\$million
Interim dividend of 25 cents (1999: 25 cents) per share	7.3	7.3
No final dividend (1999: 45 cents per share)	—	13.2
	<u>7.3</u>	<u>20.5</u>

## 8 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders for the year of HK\$9.0 million (1999: HK\$32.0 million) and 29,282,000 shares in issue throughout the year and the preceding year. There were no dilutive potential ordinary shares in existence during the year.

## 9 INTEREST IN ASSOCIATES

	Group	
	2000	1999
	HK\$million	HK\$million
Share of net assets other than goodwill	—	137.8
Amount due from associates	—	3.7
	<u>—</u>	<u>141.5</u>

# Notes to the Accounts (Continued)

## 10 INVESTMENTS

### (a) Long term investments

	Group	
	2000	1999
	HK\$million	HK\$million
Non-trading securities		
Equity securities listed in Hong Kong	103.0	99.2
Held-to-maturity securities listed outside Hong Kong	—	5.0
	103.0	104.2
	103.0	104.2
Market value of listed investments	103.0	104.2
	103.0	104.2

At the year end, the above portfolio comprised securities mainly of conglomerates and financial services groups (1999: mainly property and infrastructure businesses).

### (b) Short term investments

	Group	
	2000	1999
	HK\$million	HK\$million
Trading securities listed in Hong Kong	—	18.6
Held-to-maturity securities listed in Hong Kong	—	36.8
Held-to-maturity securities listed outside Hong Kong	5.0	—
	5.0	55.4
	5.0	55.4
Market value of listed investments	5.0	56.2
	5.0	56.2

At 31 December 2000, the Group has no investments in related parties (1999: HK\$136.0 million), as defined in note 1(i). Income from these investments during the year amounted to HK\$7.6 million (1999: HK\$10.8 million).

# Notes to the Accounts (Continued)

## 11 DEBTORS

Debtors comprises interest receivable and sundry prepayments.

## 12 CREDITORS

Creditors comprises accrued expenses and sundry payables.

## 13 SHARE CAPITAL

	2000 HK\$million	1999 HK\$million
Authorised:		
100,000,000 ordinary shares of HK\$4 each	<u>400.0</u>	<u>400.0</u>
Issued and fully paid:		
29,282,000 ordinary shares of HK\$4 each	<u>117.1</u>	<u>117.1</u>



# Notes to the Accounts (Continued)

## 14 RESERVES

	Share premium HK\$million	Investment revaluation reserve HK\$million	Exchange reserve HK\$million	Revenue reserve HK\$million	Total HK\$million
<b>(a) The Group</b>					
Company and subsidiaries					
Balance at 1 January 1999	39.3	(64.8)	(0.8)	455.5	429.2
Exchange reserve	—	—	0.8	—	0.8
Revaluation deficit transferred to the profit and loss account on					
- disposal of non-trading securities	—	17.0	—	—	17.0
- impairment in value of non-trading securities	—	16.9	—	—	16.9
Revaluation surplus of non-trading securities	—	17.1	—	—	17.1
Transfer from the profit and loss account	—	—	—	12.7	12.7
Balance at 31 December 1999 and 1 January 2000	39.3	(13.8)	—	468.2	493.7
Revaluation deficit transferred to the profit and loss account on disposal of non-trading securities	—	22.4	—	—	22.4
Revaluation deficit of non-trading securities	—	(6.1)	—	—	(6.1)
Transfer from the profit and loss account	—	—	—	0.5	0.5
Balance at 31 December 2000	39.3	2.5	—	468.7	510.5

# Notes to the Accounts (Continued)

## 14 RESERVES (Continued)

	Share premium HK\$million	Investment revaluation reserve HK\$million	Exchange reserve HK\$million	Revenue reserve HK\$million	Total HK\$million
<b>(a) The Group (Continued)</b>					
Associates					
Balance at 1 January 1999	—	(41.9)	—	—	(41.9)
Revaluation surplus of non-trading securities	—	49.3	—	—	49.3
Transfer to the profit and loss account	—	—	—	(1.2)	(1.2)
Balance at 31 December 1999 and 1 January 2000	—	7.4	—	(1.2)	6.2
Revaluation deficit of non-trading securities	—	(27.1)	—	—	(27.1)
Transfer from the profit and loss account on disposal of associates	—	19.7	—	1.2	20.9
Balance at 31 December 2000	—	—	—	—	—
Total reserves					
At 31 December 2000	39.3	2.5	—	468.7	510.5
At 31 December 1999	39.3	(6.4)	—	467.0	499.9
<b>(b) Company</b>					
Balance at 1 January 1999	39.3	—	—	15.4	54.7
Transfer from the profit and loss account	—	—	—	6.0	6.0
Balance at 31 December 1999 and 1 January 2000	39.3	—	—	21.4	60.7
Transfer from the profit and loss account	—	—	—	134.4	134.4
Balance at 31 December 2000	39.3	—	—	155.8	195.1

# Notes to the Accounts (Continued)

## 14 RESERVES (Continued)

Reserves of the Company available for distribution to shareholders amount to HK\$155.8 million (1999: HK\$21.4 million).

The application of the share premium account is governed by section 48B of the Hong Kong Companies Ordinance.

The investment revaluation reserve is dealt with in accordance with the accounting policies adopted for the revaluation of non-trading securities.

## 15 INVESTMENT IN SUBSIDIARIES

	2000 HK\$million	1999 HK\$million
Unlisted shares, at cost less provision	0.1	0.7
Amounts due by subsidiaries	558.7	360.7
	<hr/>	<hr/>
	558.8	361.4
Amounts due to subsidiaries	(245.7)	(168.7)
	<hr/>	<hr/>
	<u>313.1</u>	<u>192.7</u>

# Notes to the Accounts (Continued)

## 15 INVESTMENT IN SUBSIDIARIES (Continued)

Details of the Company's subsidiaries as at 31 December 2000, all of them are wholly-owned, are as follows:

<u>Subsidiaries</u>	<u>Place of incorporation/ operation</u>	<u>Issued and fully paid up share capital (all being ordinary shares)</u>	<u>Principal activities</u>
<i>(held directly)</i>			
Willthorn Investments Limited	British Virgin Islands/ International	500 shares of US\$1 each	Holding company
I-Active Investments Limited	British Virgin Islands/ International	1 share of US\$1 each	Holding company
<i>(held indirectly)</i>			
Beauforte Finance (International) Limited	Cayman Islands/ International	500 shares of US\$1 each	Investment
Beauforte Holdings Limited	Hong Kong	45,000,000 shares of HK\$1 each	Dormant
Lambda Company Limited	Hong Kong	2 shares of HK\$1 each	Investment
United Crown Enterprises Limited	Hong Kong	2 shares of HK\$1 each	Investment
Splendid Rewards Limited	British Virgin Islands/ International	500 shares of US\$1 each	Investment
Workshop Holdings Limited	British Virgin Islands/ International	500 shares of US\$1 each	Investment
Vason Enterprises Limited	Hong Kong	2 shares of HK\$1 each	Investment

# Notes to the Accounts (Continued)

## 16 MATERIAL RELATED PARTY TRANSACTIONS

Apart from those disclosed in note 10 above, the Group entered into the following related party transactions:

- (a) During the year, the Group made advances of up to HK\$150 million to a related party with interest at market rates. Interest income received from the related party amounted to HK\$5.1 million during the year ended 31 December 2000 (1999: HK\$4.8 million). The loan was fully repaid during the year.
- (b) One of the Group's non-trading listed securities was disposed of in 1999 due to the privatisation of that company by its ultimate holding company, which was also a related party of the Company. Proceeds and net gain from privatisation of these securities amounted to HK\$50.8 million and HK\$22.8 million respectively, and are reflected in the comparative figures.

## 17 APPROVAL OF ACCOUNTS

The accounts were approved by the directors on 2 March 2001.