

1. CORPORATE INFORMATION

The principal activities of the Group are the trading of woollen and worsted products, property investment and holding, and restaurant operations.

In the opinion of the directors, the ultimate holding company as at 31 December 2000 was Beijing International Trust and Investment Corporation, which is registered in the People's Republic of China.

Subsequent to the year end date, as detailed in note 29(a), the ultimate holding company of the Company has changed to Beijing Holdings Limited, which is incorporated in Hong Kong.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and certain fixed assets as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2000. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

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

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Associates

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Associates *(continued)*

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values, other than temporary in nature, deemed necessary by the directors.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are stated at cost less any provisions for diminutions in values, other than temporary in nature, deemed necessary by the directors.

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminutions in values, other than temporary in nature, deemed necessary by the directors.

The results of jointly-controlled entities are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as long term investments and are stated at cost less any provisions for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

When the Group contributes or sells assets to a jointly-controlled entity and the assets are retained by the jointly-controlled entity, the Group recognises only that portion of the gain which is attributable to the interests of the other venturers and investors. The Group recognises the full amount of the loss when the contribution or sale provides evidence of a reduction in the net realisable value of current assets, or a decline, other than temporary, in the carrying amount of long term assets.

When the Group purchases assets from a jointly-controlled entity, the Group does not recognise its share of the profits of the jointly-controlled entity from the transaction until it resells the assets to an independent party. When a loss results from the transaction, the Group recognises the full amount of the loss when the contribution or sale provides evidence of a reduction in the net realisable value of current assets, or a decline, other than temporary, in the carrying amount of long term assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on consolidation of subsidiaries represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is amortised on a straight-line basis over its useful life. Where, in the opinion of the directors, there is a permanent diminution in value of goodwill, the unamortised balance is written down to its estimated recoverable amount. On disposal of subsidiaries, the relevant portion of attributable goodwill remains unamortised is charged to the profit and loss account and included in the calculation of the gain or loss on disposal.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

The transitional provisions set out in paragraph 72 of Statement of Standard Accounting Practice No. 17 "Property, plant and equipment" have been adopted for assets stated at valuation. As a result, those assets stated at revalued amounts, based on revaluations which were reflected in financial statements to periods ended before 30 September 1995, have not been revalued to fair value by class at the balance sheet date. It is the directors' intention not to revalue these assets in the future. The asset revaluation reserve is transferred directly to retained earnings when the reserve is realised completely, on the disposal or retirement of the asset, or partially as the asset is used by the Group.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	4%
Leasehold improvements	Over the lease terms or 10 years, whichever is shorter
Furniture, fixtures and equipment	10% – 18%
Motor vehicles	18% – 20%

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, all development expenditure and other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged or credited to the profit and loss account on the straight-line basis over the lease terms.

Pension scheme

Certain companies within the Group have participated in the compulsory pension schemes operated by the respective governments of the places in which they operate for their staff. These companies are required to contribute a certain percentage of their covered payroll to the schemes to fund the benefits. The only obligation of the Group with respect to the schemes is to pay the ongoing required contributions under the schemes. Contributions under the schemes are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rental income, on a time proportion basis over the lease terms;
- (c) receipts from restaurant operations, upon the delivery of food and beverages to customers;
- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (e) from the sale of properties, when the legally binding unconditional sales contracts are signed and exchanged.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

3. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts; proceeds from the sale of properties held for sale; gross rental income; and receipts from restaurant operations. Revenue from the following activities has been included in turnover:

	Group	
	2000 HK\$'000	1999 HK\$'000
Sales of woollen and worsted products	28,369	23,022
Sales of properties held for sale	400	350
Sales of dried seafood	2,267	1,842
Receipts from restaurant operations	129,138	94,843
Rental income	7,387	7,728
Turnover	167,561	127,785

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4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging:

	Group	
	2000 HK\$'000	1999 HK\$'000
Cost of inventories sold	88,822	69,578
Cost of properties held for sale	60	100
Depreciation	6,278	6,154
Amortisation of deferred pre-operating expenses	–	889
Rent of land and buildings under operating leases	9,149	6,856
Foreign exchange losses, net	1,053	767
Loss on disposal of fixed assets	129	103
Auditors' remuneration	770	783
Staff costs (including directors' remuneration – note 6):		
Wages and salaries	28,663	22,953
Pension contributions	997	482
	29,660	23,435
and after crediting:		
Gross rental income	7,387	7,728
Less: Outgoings	(2,517)	(2,900)
Net rental income	4,870	4,828
Interest income	3,317	3,048
Gain on disposal of investment properties	1,015	3,309
Reversal of write-down of inventories included in the cost of inventories sold	469	–

5. FINANCE COSTS

	Group	
	2000 HK\$'000	1999 HK\$'000
Interest on bank loans, overdrafts, and other borrowings wholly repayable within five years	16,135	14,456

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6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Companies Ordinance is as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Fees	—	—
Salaries, allowances and benefits in kind	2,184	2,184
Performance related bonuses	273	273
	2,457	2,457

There were no emoluments payable to the independent non-executive directors during the year (1999: Nil).

The remuneration of the directors fell within the following band:

	Number of directors	
	2000	1999
Nil to HK\$1,000,000	5	5

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

7. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (1999: two) directors, details of whose remuneration are set out in note 6 above. The details of the remuneration of the remaining three (1999: three) non-director, highest paid employees are as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Salaries, allowances and benefits in kind	2,080	2,070
Performance related bonuses	472	284
	2,552	2,354

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7. FIVE HIGHEST PAID EMPLOYEES *(continued)*

The remuneration of the non-director, highest paid employees fell within the following band:

	Number of employees	
	2000	1999
Nil to HK\$1,000,000	3	3

8. TAX

	Group	
	2000 HK\$'000	1999 HK\$'000
Group:		
Hong Kong	118	36
Elsewhere	2,026	599
Prior year's overprovision	–	(133)
Share of tax attributable to associates	(854)	(211)
Tax charge for the year	1,290	291

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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9. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$39,908,000 (1999: HK\$49,934,000).

10. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$22,784,000 (1999: HK\$50,190,000) and the 85,758,750 (1999: 85,758,750) shares of the Company in issue during the year.

The diluted loss per share for the years ended 31 December 2000 and 1999 has not been calculated as no diluting events existed during these years.

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11. FIXED ASSETS

Group

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:					
At beginning of year	64,795	34,281	8,575	3,032	110,683
Additions	–	2,394	1,953	840	5,187
Disposals	–	(305)	(419)	–	(724)
Transfer to investment properties	(924)	–	–	–	(924)
At 31 December 2000	63,871	36,370	10,109	3,872	114,222
At cost	20,371	36,370	10,109	3,872	70,722
At valuation	43,500	–	–	–	43,500
	63,871	36,370	10,109	3,872	114,222
Accumulated depreciation:					
At beginning of year	6,457	22,547	6,325	2,309	37,638
Provided during the year	1,453	3,395	947	483	6,278
Disposals	–	(305)	(290)	–	(595)
Transfer to investment properties	(245)	–	–	–	(245)
At 31 December 2000	7,665	25,637	6,982	2,792	43,076
Net book value:					
At 31 December 2000	56,206	10,733	3,127	1,080	71,146
At 31 December 1999	58,338	11,734	2,250	723	73,045

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11. FIXED ASSETS (continued)

Company

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:					
At beginning of year	43,500	366	680	1,709	46,255
Additions	–	466	39	–	505
Disposals	–	(305)	(397)	–	(702)
At 31 December 2000	43,500	527	322	1,709	46,058
At cost	–	527	322	1,709	2,558
At valuation	43,500	–	–	–	43,500
	43,500	527	322	1,709	46,058
Accumulated depreciation:					
At beginning of year	4,445	366	379	1,709	6,899
Provided during the year	1,026	31	71	–	1,128
Disposals	–	(305)	(270)	–	(575)
At 31 December 2000	5,471	92	180	1,709	7,452
Net book value:					
At 31 December 2000	38,029	435	142	–	38,606
At 31 December 1999	39,055	–	301	–	39,356

Notes to Financial Statements

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11. FIXED ASSETS (continued)

An analysis of the leasehold land and buildings, which are held under medium term leases, at the balance sheet date is as follows:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Situated in Hong Kong:				
At 1994 valuation	43,500	43,500	43,500	43,500
At cost	1,389	2,313	–	–
Situated in Singapore:				
At cost	18,982	18,982	–	–
	63,871	64,795	43,500	43,500

A revaluation of certain of the leasehold land and buildings situated in Hong Kong was carried out by Richard Ellis Limited, an independent professional valuer, on an open market value, existing use basis as at 31 December 1994. Had the land and buildings not been revalued, their net book value would have been as follows:

	Group and Company	
	2000 HK\$'000	1999 HK\$'000
Cost	4,339	4,339
Accumulated depreciation	(860)	(756)
Net book value at 31 December	3,479	3,583

12. INVESTMENT PROPERTIES

	Group	
	2000 HK\$'000	1999 HK\$'000
At beginning of year	46,909	60,575
Transfer from fixed assets	679	3,227
Disposals	(719)	(2,063)
Revaluation surplus/(deficit)	1,381	(14,830)
At 31 December, at valuation	48,250	46,909

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12. INVESTMENT PROPERTIES (continued)

An analysis of the investment properties at the balance sheet date is as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Situated in the People's Republic of China:		
Hong Kong	11,050	12,490
Elsewhere	37,200	34,419
	48,250	46,909

At 31 December 2000, the investment properties were revalued on an open market value, existing use basis, by CB Richard Ellis Limited, an independent professional valuer.

Details of the investment properties, which are held under medium term leases, are as follows:

Location	Use
Part of the second floor and the whole of the third floor, A No. 1 Jian Guo Men Wai Avenue, Chao Yang District, Beijing, the People's Republic of China	Office building
Units 1103, 1701, 1704, 1803, 1903 and 1905, Hong Kong Worsted Mills Industrial Building, 31-39 Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong	Industrial

13. INTERESTS IN SUBSIDIARIES

	Company	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	3,947	3,947
Amounts due from subsidiaries	103,284	93,627
	107,231	97,574
Provisions for diminutions in values	(3,836)	(3,836)
Provision against amounts due from subsidiaries	(70,095)	(57,367)
	33,300	36,371

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

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13. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2000	1999	
Ah Yat Abalone Forum Restaurant Holdings Pte Ltd*	Singapore	S\$250,000	45.9@	45.9@	Restaurant operations
Beijing Ah Yat Abalone Restaurant Co., Ltd.*	The People's Republic of China	US\$1,400,000	48.5@	48.5@	Restaurant operations
Beijing Development Properties (Hong Kong) Limited	Hong Kong	HK\$100,000	100	100	Property investment
Beijing Development Property Investment and Management Co., Ltd.*	The People's Republic of China	US\$4,000,000	85.5	85.5	Property investment
Beijing Singapore Investments Pte Ltd	Singapore	S\$800,000	90	90	Property and investment holding
H.K. Forewell Investments Limited	Hong Kong	HK\$10,000	51	51	Investment holding and trading of dried seafood
Hong Kong Fortune International Limited	#Hong Kong	HK\$10,000	51	51	Restaurant operations
Lord King Investment Limited*	#Hong Kong	HK\$1,000,000	51	51	Restaurant operations
Sino Textile Enterprises Limited	Hong Kong	HK\$100	70	70	Garment trading

@ – These entities are subsidiaries of non-wholly owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of control over the entities.

– These subsidiaries are incorporated in Hong Kong and operate elsewhere within the People's Republic of China.

* – Indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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14. INTERESTS IN ASSOCIATES

	Group		Company	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Unlisted shares, at cost	–	–	–*	–*
Share of net assets	3,033	5,925	–	–
Amounts due from associates	31,008	16,614	19,775	16,464
Loan to an associate	34,785	34,785	34,785	34,785
	68,826	57,324	54,560	51,249

The amounts due from associates are unsecured, interest-free and have no fixed terms of repayment.

The loan to an associate is unsecured, bears interest at Hong Kong prime rate per annum and has no fixed terms of repayment.

* – *The costs of unlisted shares held by the Company at 31 December 2000 and 1999 amounted to HK\$50.*

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group		Principal activities
			2000	1999	
Linkcross Investments Limited	Corporate	Hong Kong	50	50	Investment holding
Overseas Union Investments Limited	Corporate	Hong Kong	50*	50*	Investment holding

* – *Indirectly held by the Company.*

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15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	–	–	45,449	45,449
Share of net assets	18,698	28,792	–	–
Provisions for diminutions in values	–	(3,180)	(26,749)	(15,798)
	18,698	25,612	18,700	29,651

Details of the principal jointly-controlled entity are as follows:

Name	Business structure	Place of registration and operations	Percentage of			Principal activities
			Ownership interest	Voting power	Profit sharing	
Beijing Jin Yang Worsted Co., Ltd.	Corporate	The People's Republic of China	50	50	50	Manufacture of worsted products

The above table lists the jointly-controlled entity of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other jointly-controlled entities would, in the opinion of the directors, result in particulars of excessive length.

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16. INVENTORIES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Raw materials	19,789	12,933	–	–
Finished goods	4,738	9,206	4,509	8,977
	24,527	22,139	4,509	8,977

The carrying amount of inventories carried at net realisable value included in the above is HK\$4,509,000 (1999: HK\$8,977,000).

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17. PROPERTIES HELD FOR SALE

The details of the Group's properties held for sale are as follows:

Location	Group interest	Existing use	Gross floor area
Units 101-103, 107, 1303, 1501, 1503, 2001, 2101 and 2103-2104; private car parks nos. 4, 6, 8, 10-13, 16, 19-21, 24 and 28 on the upper ground floor; lorry car parks nos.1-8, 12-14, 16-25, 27, 29 and container space no. 30 on the ground floor, roof and external wall, Hong Kong Worsteds Mills Industrial Building, 31-39 Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong	100%	Factory and carpark rental	49,890 sq. ft. (excluding roof and car parks)

18. TRADE RECEIVABLES

	Group		Company	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Amounts due within:				
3 months	2,613	3,400	486	992
4 – 6 months	12	553	12	111
7 – 12 months	–	1	–	1
Over one year	170	170	–	–
	2,795	4,124	498	1,104

The Group generally allows an average credit period of 30 to 90 days to its trade debtors.

19. TRADE PAYABLES

	Group		Company	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Amounts outstanding for:				
3 months or less	7,149	6,526	658	239
4 – 6 months	378	–	378	–
Over one year	470	126	–	–
	7,997	6,652	1,036	239

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20. BANK AND OTHER BORROWINGS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank loans:				
Secured	48,207	41,227	20,145	12,608
Unsecured	23,190	23,190	–	–
Other borrowings, unsecured	87,508	83,276	75,500	70,000
Bank overdrafts, secured	18,788	18,321	14,235	13,899
Trust receipt loans, secured	–	4,991	–	4,991
	177,693	171,005	109,880	101,498
Less: Portion classified as current liabilities	(73,710)	(63,575)	(18,210)	(24,398)
Long term portion	103,983	107,430	91,670	77,100
Bank loans repayable:				
Within one year or on demand	69,700	60,296	18,210	24,398
In the second year	4,962	22,056	4,405	6,039
In the third to fifth years, inclusive	13,435	2,732	11,765	1,061
Beyond five years	2,088	2,645	–	–
	90,185	87,729	34,380	31,498
Other borrowings repayable:				
Within one year	4,010	3,279	–	–
In the second year	77,499	71,999	75,500	70,000
In the third to fifth years, inclusive	5,999	5,999	–	–
Beyond five years	–	1,999	–	–
	87,508	83,276	75,500	70,000
	177,693	171,005	109,880	101,498

20. BANK AND OTHER BORROWINGS (continued)

- (a) Certain of the Group's bank borrowings are secured by:
- (i) Mortgages over the Group's investment properties which had an aggregate carrying value at the balance sheet date of approximately HK\$48,250,000 (1999: HK\$46,909,000).
 - (ii) Mortgages over certain of the Group's land and buildings which had an aggregate net book value at the balance sheet date of approximately HK\$56,207,000 (1999: HK\$19,283,000).
 - (iii) Mortgages over certain of the Group's properties held for sale which had an aggregate carrying value at the balance sheet date of approximately HK\$12,655,000 (1999: HK\$12,715,000).
- (b) Part of the Group's and all of the Company's other borrowings of HK\$75,500,000 (1999: HK\$70,000,000), which are due to an affiliated company of the Company's ultimate shareholder, bear interest at the Hong Kong prime rate per annum and are repayable by May 2002.
- (c) The remainder of the Group's other borrowings of HK\$12,008,000 (1999: HK\$13,276,000) represent the amounts payable for the acquisition of a subsidiary in 1995. The amounts are interest-free and repayable by annual instalments up to the year 2005.

21. AMOUNTS DUE TO THE IMMEDIATE HOLDING COMPANY/RELATED COMPANIES/JOINTLY-CONTROLLED ENTITIES

The amounts due to the immediate holding company, related companies and jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

22. DEFERRED TAX

The amount of the deferred tax asset not recognised in the financial statements is set out below:

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Tax losses	11,757	9,826	10,583	9,239

The revaluation of the Group's leasehold land and buildings in Hong Kong does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

There are no significant potential deferred tax liabilities for which provision has not been made.

Notes to Financial Statements

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23. SHARE CAPITAL

	Company	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Authorised:		
160,000,000 ordinary shares of HK\$1 each	160,000	160,000
Issued and fully paid:		
85,758,750 ordinary shares of HK\$1 each	85,759	85,759

24. RESERVES

Group

	Asset revaluation reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 1999	38,253	(1,378)	36,875
Exchange realignments	–	249	249
Transfer to accumulated losses	(922)	–	(922)
At 31 December 1999 and beginning of year	37,331	(1,129)	36,202
Exchange realignments	–	(785)	(785)
Transfer to accumulated losses	(922)	–	(922)
At 31 December 2000	36,409	(1,914)	34,495
Reserves retained by:			
Company and subsidiaries	36,409	(3,485)	32,924
Associates	–	1,571	1,571
31 December 2000	36,409	(1,914)	34,495
Company and subsidiaries	37,331	(2,678)	34,653
Associates	–	1,549	1,549
31 December 1999	37,331	(1,129)	36,202

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24. RESERVES (continued)

Company

	Asset revaluation reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 1999	38,253	–	38,253
Transfer to accumulated losses	(922)	–	(922)
At 31 December 1999 and beginning of year	37,331	–	37,331
Transfer to accumulated losses	(922)	–	(922)
At 31 December 2000	36,409	–	36,409

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Profit/(loss) from operating activities	8,443	(24,468)
Interest income	(3,317)	(3,048)
Depreciation	6,278	6,154
Amortisation and write off of goodwill	–	10,328
Revaluation deficit/(surplus) of investment properties	(1,381)	14,830
Amortisation of deferred pre-operating expenses	–	889
Loss on disposal of fixed assets	129	103
Gain on disposal of investment properties	(1,015)	(3,309)
Decrease/(increase) in trade receivables	1,329	(1,724)
Decrease/(increase) in inventories	(2,388)	702
Decrease/(increase) in other receivables, prepayments and deposits	(412)	1,230
Decrease in properties held for sale	60	100
Decrease in an amount due from a jointly-controlled entity	–	1,342
Increase in trade payables	1,345	3,321
Increase/(decrease) in other payables and accruals	3,833	(1,661)
Increase in an amount due to the immediate holding company	2,657	328
Increase/(decrease) in amounts due to related companies	(1,000)	1,000
Increase in amounts due to the jointly-controlled entities	3,477	2,857
Net cash inflow from operating activities	18,038	8,974

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25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year:

	Bank and other borrowings <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
Balance at 1 January 1999	158,927	(1,823)
Cash outflow from financing activities, net	(11,234)	–
Dividends	–	(78)
Share of losses	–	(4,165)
Share of exchange fluctuation reserve	–	(25)
Balance at 31 December 1999 and beginning of year	147,693	(6,091)
Cash inflow/(outflow) from financing activities, net	11,212	(1,780)
Dividends	–	(70)
Share of profits	–	3,120
Share of exchange fluctuation reserve	–	(84)
Balance at 31 December 2000	158,905	(4,905)

26. COMMITMENTS

At 31 December 2000, the Group and the Company had commitments under non-cancellable operating leases to make payments in the following year in respect of land and buildings as follows:

	Group		Company	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Leases expiring:				
Within one year	353	311	254	–
In the second to fifth years, inclusive	5,921	4,976	–	923
After five years	1,080	–	–	–
	7,354	5,287	254	923
Leases expiring after five years:				
Share of a jointly-controlled entity	1,116	1,110	1,116	1,110
	8,470	6,397	1,370	2,033

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27. CONTINGENT LIABILITIES

At the balance sheet date, the contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2000 HK\$'000	1999 HK\$'000
Guarantees given to banks in connection with facilities granted to a subsidiary	55,892	56,449

At 31 December 2000, the guarantees given to banks in connection with facilities granted to a subsidiary by the Company were utilised to the extent of approximately HK\$55,805,000 (1999: HK\$56,231,000).

28. RELATED PARTY TRANSACTIONS

- (a) The Group and the Company had the following material transactions with related parties during the year:

	Notes	Group		Company	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Sales of raw materials to a company in which certain directors of the Company have beneficial interests	(i)	2,223	1,842	–	–
Purchases of finished goods from jointly-controlled entities	(i)	14,710	14,510	14,710	14,510
Sales of raw materials to a jointly-controlled entity	(i)	–	1,550	–	1,550
Interest expense on loans from an affiliated company of the Company's ultimate shareholder	(ii)	6,904	5,946	6,904	5,946
Interest income from an associate	(iii)	3,215	2,955	3,215	2,955

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28. RELATED PARTY TRANSACTIONS *(continued)*

Notes:

- (i) *The sales of raw materials to, and the purchases of finished goods from related parties were priced at the estimated purchased or manufactured costs of goods sold.*
 - (ii) *The interest expenses on loans from related parties were charged at Hong Kong prime rate per annum. Further details of the outstanding loans at 31 December 2000 are disclosed in note 20.*
 - (iii) *The interest income from an associate relating to a loan granted, further details of which are disclosed in note 14.*
- (b) Details of the amounts due to the immediate holding company, related companies and jointly-controlled entities are included in note 21.

29. POST BALANCE SHEET EVENTS

- (a) Subsequent to the balance sheet date on 18 January 2001, the Company entered into three subscription agreements and a placing agreement (collectively the “Subscription Agreements”) to issue a total of 218,000,000 new shares of the Company at an issue price of HK\$1 per share for an aggregate cash consideration of HK\$218 million. Upon the completion of the Subscription Agreements on 29 March 2001, the issued share capital of the Company increased from 85,758,750 shares to 303,758,750 shares. Beijing Enterprises Holdings Limited, a company incorporated and listed in Hong Kong, is indirectly interested in 168,000,000 shares of the Company, representing 55.31% of the enlarged issued share capital, and became the indirect controlling shareholder of the Company.
- (b) On 18 January 2001, the Company entered into an agreement (the “HK Disposal Agreement”) with Guang Ming Group (Hong Kong) Limited (“GMG”) to dispose of the Company’s entire 70% interest in Sino Textile Enterprises Limited (“Sino Textile”), the shareholder’s loan of approximately HK\$1.5 million which is due from Sino Textile to the Company and all the woollen and worsted products owned by the Company for an aggregate cash consideration of approximately HK\$6 million. The HK Disposal Agreement was completed on 29 March 2001 and a gain on disposal of approximately HK\$1 million resulted.
- (c) On 18 January 2001, the Company also entered into an agreement (the “JV Disposal Agreement”) with GMG to dispose of the Company’s entire 50% interest in Beijing Jin Yang Worsted Co., Ltd. for a cash consideration of approximately HK\$19 million. The JV Disposal Agreement is expected to be completed before the end of June 2001 and it is expected that the transaction will not give rise to any significant gain or loss.

Further details of the above transactions are set out in the Company’s circular dated 23 February 2001.

29. POST BALANCE SHEET EVENTS *(continued)*

After the completion of both the HK Disposal Agreement and the JV Disposal Agreement, the Group will discontinue the trading and manufacturing businesses of woollen and worsted products. The turnover and net loss from ordinary activities of the Group attributable to such businesses amounted to HK\$28,369,000 (1999: HK\$23,022,000) and HK\$10,296,000 (1999: HK\$20,073,000) for the year ended 31 December 2000.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 19 April 2001.