



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2000

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

Investments in securities *(continued)*

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition and is calculated using the first-in, first-out method. Net realisable value is determined on the basis of anticipated sales proceeds in the ordinary course of business less all estimated costs of completion and estimated selling expenses.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of overseas operations which are denominated in currencies other than Hong Kong dollars are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Operating leases

Rentals expenses under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2000

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

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Retirement benefits scheme

The pension costs charged to the income statement represent the amount of contributions payable in respect of the current year to the Group's defined contribution scheme.

Cash equivalents

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 advances.



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2000

3. TURNOVER

The Group's turnover and contribution to operating loss by principal activities and geographical segments are as follows:

	Turnover		Contribution to (loss) profit for the year	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
By principal activities:				
Hotel operations	21,466	18,075	2,454	(466)
Steel trading	10,095	—	912	—
Property investment	4,048	3,782	(1,683)	(3,778)
Sale of properties	—	3,257	—	(34)
	<u>35,609</u>	<u>25,114</u>	<u>1,683</u>	<u>(4,278)</u>
Finance costs			(4,557)	(4,738)
Unallocated corporate expenses			(11,254)	(8,040)
Provision for irrecoverable investment in a property development project			—	(44,865)
Net loss for the year			<u>(14,128)</u>	<u>(61,921)</u>
By geographical segment:				
The People's Republic of China, other than Hong Kong ("PRC")	21,503	21,371	2,977	(483)
Hong Kong	14,106	3,743	(1,294)	(3,795)
	<u>35,609</u>	<u>25,114</u>	<u>1,683</u>	<u>(4,278)</u>
Finance costs			(4,557)	(4,738)
Unallocated corporate expenses			(11,254)	(8,040)
Provision for irrecoverable investment in a property development project			—	(44,865)
Net loss for the year			<u>(14,128)</u>	<u>(61,921)</u>



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2000

4. OTHER REVENUE

Other revenue included the following items:

	2000 HK\$'000	1999 HK\$'000
Interest income	1,357	1,565
Net unrealised holding losses on other investments	(56)	(101)
	<u>1,301</u>	<u>1,464</u>

5. PROVISION FOR IRRECOVERABLE INVESTMENT IN A PROPERTY DEVELOPMENT PROJECT

In 1983 and 1984, a subsidiary of the Company made an investment totalling US\$5,800,000 (the "Investment") into a joint property development project in Shanghai, the PRC with a third party in the PRC (the "PRC Party"). Following negotiations with the PRC Party in 1997, the subsidiary discontinued its investment in the property development project in 1998 and the PRC Party agreed to refund the Investment by 31st December, 1998. However, the PRC Party failed to repay the Investment to the Group. In that connection, the Company has retained PRC legal advisers since December 1999 and is considering taking legal action against the PRC Party. The Board of Directors had made full provision for the Investment in 1999 and the Company will continue to use its best efforts to recover the Investment.



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2000

6. LOSS FROM OPERATIONS

	2000 HK\$'000	1999 HK\$'000
Loss from operations has been arrived at after charging:		
Auditors' remuneration	800	800
Depreciation	2,232	2,583
Operating lease charges in respect of land and buildings	1,915	2,158
Staff costs (including directors' remuneration)	7,727	10,812
and after crediting:		
Gross rental income from properties	4,048	3,782
Less: outgoings	(1,368)	(1,089)
	<u>2,680</u>	<u>2,693</u>

7. FINANCE COSTS

	2000 HK\$'000	1999 HK\$'000
Interest on bank borrowings not wholly repayable within five years	4,507	4,738
Interest on bank borrowings wholly repayable within five years	50	—
Total borrowing costs	<u>4,557</u>	<u>4,738</u>



NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31st December, 2000

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

a. Directors' emoluments

The aggregate emoluments of the Directors of the Company are as follows:

	2000 HK\$'000	1999 HK\$'000
Fees:		
Executive Directors	—	—
Independent Non-Executive Directors	200	200
	<u>200</u>	<u>200</u>
Other emoluments (Executive Directors):		
Salaries and other benefits	2,653	3,362
Retirement benefit scheme contributions	87	113
	<u>2,740</u>	<u>3,475</u>
	<u>2,940</u>	<u>3,675</u>

The emoluments of the Directors were within the following bands:

	Number of Directors	
	2000	1999
Nil - HK\$1,000,000	3	2
HK\$1,000,001 - HK\$1,500,000	2	3
	<u>2</u>	<u>3</u>

No Directors waived any emoluments in the year ended 31st December, 2000.