
1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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 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 asset will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

Assets held under hire purchase contracts

A hire purchase contract is a contract for hire of an asset which contains a provision giving the hirer an option to acquire legal title to the asset upon the fulfilment of certain conditions stated in the contract. Assets held under hire purchase contracts are capitalised at their fair values at the date of acquisition. The corresponding liabilities to the hirer, net of interest charges, are included in the balance sheet as hire purchase obligations. Finance costs, which represent the difference between the total hire commitments and the fair value of the assets acquired, are recognised as expenses over the term of the relevant contracts so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are recognised as an expense on a straight-line basis over the lease terms.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)**Operating leases**

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable and receivable under operating leases are recognised as an expense and revenue on the straight-line basis over the lease terms.

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.

Sale of properties

Income from properties developed for sale, where there are no pre-sales prior to completion of development, is recognised on the execution of a binding sale agreement or when the relevant occupation permit is issued by the binding authority, whichever is the later.

Income from properties pre-sold prior to completion of development is recognised under the percentage of completion method primarily based on work done certified by architects or engineers to date compared with the total of estimated cost of the construction work, when the sale and purchase agreements are entered into and the outcome of the construction work can be ascertained with reasonable certainty, after due allowances for contingencies. Payments received from purchasers prior to these stages are recorded as deposits received under current liabilities.

When properties are acquired for resale, revenue is recognised on the execution of a binding sales agreement.

Sale of goods

Sale of goods is recognised when goods are delivered and title has passed.

Rental and property management fee income

Rental and property management fee income under operating leases are recognised in the period in which the properties are let out and on the straight-line basis over the lease terms.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)**Revenue recognition** (Cont'd)*Service income*

Service income is recognised in the period when services are rendered.

Securities trading

Proceeds from disposal of other investments are recognised on the transaction date when the relevant sale and purchase contract is entered into.

Interest income

Interest income is accrued on a time proportion basis on the principal outstanding and at the applicable interest rate.

Foreign currencies

Transactions involving foreign currencies are translated at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange ruling at that date. Translation differences are included in the income statement.

On consolidation, the financial statements of overseas operations denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising on such translation are dealt with as a movement in reserves.

Capitalisation of borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)**Cash equivalents**

Cash equivalents in the consolidated cash flow statement 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.

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.

2. TURNOVER, REVENUE AND SEGMENTAL INFORMATION

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out in note 14 to the financial statements.

Turnover and revenue recognised by category are analysed as follows:

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Sale of properties	18,768,367	4,435,000
Sale of goods	43,939,860	45,375,034
Rental and property management fee income	17,229,506	17,084,794
Service income	6,347,387	4,659,325
Securities trading	26,501,414	85,914,144
Interest income	17,579,492	15,738,796
	130,366,026	173,207,093

2. TURNOVER, REVENUE AND SEGMENTAL INFORMATION (Cont'd)

The analysis of the principal activities and geographical markets of the operations of the Group during the year are as follows:

By principal activities

	Turnover		Contribution to (loss) profit from ordinary activities before taxation	
	2001	2000	2001	2000
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Property	35,997,873	21,519,794	(24,750,877)	32,578,949
Manufacturing	40,074,054	41,455,680	3,898,938	8,290,989
Information technology	10,213,193	8,578,679	(35,575,526)	(14,448,321)
Securities trading	26,501,414	85,914,144	(20,820,169)	40,266,858
Interest income	17,579,492	15,738,796	17,579,492	15,738,796
	<u>130,366,026</u>	<u>173,207,093</u>	<u>(59,668,142)</u>	<u>82,427,271</u>
Add: Forfeiture of proceeds received from the warrants upon their expiration			15,848,676	33,836,256
Profit on deemed disposal of shares in a subsidiary			20,703,994	—
Gain on disposal of investment securities			—	41,442,910
Less: General and administrative expenses			(22,285,667)	(10,363,708)
Loss on deemed disposal of shares in an associate			(6,789,629)	—
			<u>(52,190,768)</u>	<u>147,342,729</u>

2. TURNOVER, REVENUE AND SEGMENTAL INFORMATION (Cont'd)

By geographical markets

	Turnover		Contribution to (loss) profit from ordinary activities before taxation	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Hong Kong	107,606,802	165,653,516	(55,211,857)	38,422,373
The People's Republic of China (the "PRC")	22,759,224	7,553,577	(4,456,285)	44,004,898
	<u>130,366,026</u>	<u>173,207,093</u>	<u>(59,668,142)</u>	<u>82,427,271</u>
Add: Forfeiture of proceeds received from the warrants upon their expiration			15,848,676	33,836,256
Profit on deemed disposal of shares in a subsidiary			20,703,994	—
Gain on disposal of investment securities			—	41,442,910
Less: General and administrative expenses			(22,285,667)	(10,363,708)
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			<u>(52,190,768)</u>	<u>147,342,729</u>