

I PRINCIPAL ACCOUNTING POLICIES (Continued)

(r) Revenue recognition

The Group recognises revenue on the following bases:

(i) *Sale of properties*

Sale of properties are recognised upon the completion of sale and purchase contracts. When an equitable interest in a development property is transferred to the buyer before completion of construction work and development, turnover and profit are recognised with reference to the stage of completion of the development property.

(ii) *Rental and management fee income*

Rental and management fee income are recognised on a straight line basis over the period of the lease.

(iii) *Sale of goods*

Revenue from sale of goods is recognised on the transfer of risks and rewards on ownership, which generally coincides with the time when goods are delivered to the customers and title has passed.

(iv) *Service income*

Service income is recognised when the services are rendered.

(v) *Securities trading*

Gross proceeds from securities trading are recognised upon the conclusion of the contract notes.

(vi) *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

(vii) *Interest income*

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the applicable interest rates .

2 REVENUES AND TURNOVER

The Group is principally engaged in property investment and development, securities investments and trading, manufacturing and sales of watch components, bonded polyester fabrics and home finishing products, and the provision of information technology services. Revenues recognised during the year are as follows:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		
Gross rental income and management fee income from		
investment properties	116,591	121,686
Sale of properties	35,769	54,128
Sale of goods	123,038	115,969
Services income	6,348	4,876
Securities trading	60,158	190,045
Dividend income	171	497
	342,075	487,201
Other revenue		
Interest income	39,875	49,218
	381,950	536,419
Total revenues	381,950	536,419

2 REVENUES AND TURNOVER (Continued)

An analysis of the Group's turnover and contribution to the (loss)/profit before taxation by principal activities is as follows:

	Turnover		Contribution to (loss)/profit before taxation	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Activities:				
Property investment and development	152,360	175,814	(19,041)	15,994
Manufacturing and trading	119,173	112,266	9,839	13,220
Information technology	10,213	8,579	(35,575)	(14,448)
Securities trading	60,329	190,542	(31,638)	69,370
	342,075	487,201	(76,415)	84,136
Add: Interest income			39,875	49,218
Gain on deemed disposal of a subsidiary			20,704	—
Gain on disposal of investment securities			—	64,901
Forfeiture of proceeds received from the warrants of a listed subsidiary upon their expiration			3,678	33,836
Less: Loss on deemed disposal of				
– a listed subsidiary			(2,080)	—
– a listed associated company			(6,790)	—
General and administrative expenses			(73,272)	(60,144)
Share of results of associated companies			3,068	437
(Loss)/profit before taxation			(91,232)	172,384

2 REVENUES AND TURNOVER (Continued)

An analysis of the Group's turnover and contribution to the (loss)/profit before taxation by geographical regions is as follows:

	Turnover		Contribution to (loss)/profit before taxation	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Regions:				
Hong Kong	229,196	400,339	(79,039)	39,050
The People's Republic of China, excluding Hong Kong	21,390	3,607	(5,826)	40,058
Asia Pacific	91,489	83,255	8,450	5,028
	<u>342,075</u>	<u>487,201</u>	<u>(76,415)</u>	<u>84,136</u>
Add: Interest income			39,875	49,218
Gain on deemed disposal of a subsidiary			20,704	—
Gain on disposal of investment securities			—	64,901
Forfeiture of proceeds received from the warrants of a listed subsidiary upon their expiration			3,678	33,836
Less: Loss on deemed disposal of				
– a listed subsidiary			(2,080)	—
– a listed associated company			(6,790)	—
General and administrative expenses			(73,272)	(60,144)
Share of results of associated companies			3,068	437
(Loss)/profit before taxation			<u>(91,232)</u>	<u>172,384</u>

3 OTHER INCOME

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on deemed disposal of a subsidiary	20,704	—
Forfeiture of proceeds received from the warrants of a listed subsidiary upon their expiration	3,678	33,836
Revaluation surplus on investment properties	7,532	—
Gain on disposal of investment securities	—	64,901
Reversal of cost of properties held for sale recognised as cost of sales in prior years upon termination of sales agreement	—	47,141
Gain on disposal of subsidiaries	—	4,695
Write back of provision for claims of sales deposits forfeited	—	5,040
Waive of loan from a financial institution	—	10,700
Sundry income	5,299	8,499
	37,213	174,812
	37,213	174,812

4 OPERATING PROFIT

	2001	2000
	HK\$'000	HK\$'000
Operating profit is stated after crediting and charging the following:		
Crediting		
Dividend income from listed investments	171	497
Gain on disposal of land and buildings outside Hong Kong	1,043	—
Gross rental income from investment properties	97,904	105,207
Net realised and unrealised gain on other investments	—	74,047
	—	179,751
Charging		
Auditors' remuneration	1,566	1,466
Cost of inventories sold	97,507	89,169
Cost of properties sold		
– properties held for/under development	14,953	—
– properties held for sale	19,585	56,084
Cost of securities trading	67,655	111,400
Deficit arising on revaluation of investment properties	—	7,532
Depreciation		
– owned fixed assets	8,705	10,016
– leased fixed assets	1,331	70
Loss on disposal/write-off of other fixed assets	1,869	267
Loss on deemed disposal of		
– a listed subsidiary	2,080	—
– a listed associated company	6,790	—
Loss on disposal of investment property	1,705	—
Loss on liquidation of subsidiaries	—	3,382
Net realised and unrealised loss on other investments	30,708	—
Operating lease rental on land and buildings	4,170	4,872
Outgoings in respect of investment properties	27,765	27,118
Provision for amounts due from and loans		
to associated companies	982	12,584
Provision for inventories	3,626	—
Provision for diminution in value of		
– fixed assets	1,926	—
– investment securities	5,679	—
– properties held for sale	7,812	1,925
Retirement benefit costs	2,413	1,852
Staff costs	59,089	50,904
	59,089	179,751

5 FINANCE COSTS

	2001	2000
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts		
Wholly repayable within five years	42,731	71,227
Not wholly repayable within five years	68,145	43,564
Interest on loan from a financial institution wholly		
repayable within five years	6,666	7,680
Interest on loan from a minority shareholder wholly		
repayable within five years	3,572	—
Interest element of finance leases	312	30
Other incidental borrowing costs	—	255
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Total borrowing costs incurred	121,426	122,756
Less: Interest capitalised in properties held		
for/under development (<i>note 12</i>)	(23,592)	(16,860)
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	97,834	105,896
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The capitalisation rate applied to funds borrowed generally and used for the development of properties held for/under development is between 6.0% to 10.0% (2000: 7.7% to 9.5%) per annum.

6 DIRECTORS' AND MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	153	190
Salaries, housing and other allowances, benefits in kind	10,315	11,689
Retirement scheme contributions	202	99
	10,670	11,978
	10,670	11,978

The emoluments paid to non-executive directors of the Company were HK\$180,000 (2000: HK\$865,000).

The emoluments paid to the directors are analysed as follows:

Emoluments band	Number of directors	
	2001	2000
HK\$ Nil - HK\$1,000,000	4	6
HK\$1,000,001 - HK\$1,500,000	1	1
HK\$1,500,001 - HK\$2,000,000	1	1
HK\$3,000,001 - HK\$3,500,000	1	1
HK\$3,500,001 - HK\$4,000,000	1	1
	8	10
	8	10

The above analysis includes three (2000: five) individuals whose emoluments were among the five highest paid individuals in the Group.