

### 3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

#### **Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income derived therefrom being negotiated at arm's length.

Investment properties are stated at their open market values based on independent professional valuations at 31 March each year. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit on a portfolio basis, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, any balance on the investment property revaluation reserve which is attributable to that property will be credited to the income statement and included in the determination of the gain or loss on disposal.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is twenty years or less.

#### **Textile quota entitlements**

Permanent textile quota entitlements purchased from outside parties are stated at cost less accumulated amortisation. The cost of permanent textile quota entitlements is amortised on a straight line basis over a period of five years by equal monthly instalments.

Temporary textile quota entitlements purchased from outside parties are charged to the income statement at the time of utilisation, or in the absence of such utilisation upon the expiry of the relevant utilisation period.

#### **Club debentures**

Club debentures, which are held for long-term investment purposes, are stated at cost, less provision for permanent diminution in value, if any.

#### **Investments in securities**

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group intends to hold to maturity, which are held-to-maturity debt securities, are measured at amortised cost less any necessary provision for diminution in value. Any discount or premium on the acquisition of a held-to-maturity debt security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments, as appropriate.

### 3. 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 less provision for any impairment losses recognised.

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

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and other costs 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 represents the estimated selling price less the estimated costs necessary to make the sale.

#### **Taxation**

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes 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.

#### **Foreign currencies**

Transactions in foreign currencies are translated at the approximate rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies 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.

In preparing consolidated financial statements, financial statements which are not denominated in Hong Kong dollars are translated at the rates ruling on the balance sheet date. Exchange differences arising on consolidation are dealt with in the translation reserve.

#### **Operating leases**

Rentals payable are charged to the income statement on a straight line basis over the relevant lease term.

#### **Retirement benefits scheme**

The amount of the Group's contributions payable under the Group's retirement benefits schemes is charged to the income statement.

#### **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.

#### 4. TURNOVER

Turnover represents the aggregate of the amounts received and receivable for goods sold, net of returns, by the Group, the total amount of quota income received and receivable from temporary transfer of permanent textile quota entitlements, and rental income received and receivable during the year. An analysis of the Group's turnover is as follows:

	2001 HK\$'000	2000 HK\$'000
Continuing operations:		
Garment sourcing and export	<b>640,162</b>	638,834
Property letting	<b>19,725</b>	32,224
	<b>659,887</b>	671,058
Discontinued operations:		
Retailing and department stores operations	—	4,970
	<b>659,887</b>	676,028

The turnover from garment sourcing and export includes income from temporary transfer of permanent textile quota entitlements of HK\$61,733,000 (2000: HK\$82,368,000).