

Notes to Financial Statements (Cont'd)

2. Principal accounting policies (Cont'd)

(j) Fixed assets (Cont'd)

Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and any impairment losses. Depreciation is provided to write off the cost of other fixed assets less their estimated residual value, on a straight line basis over their estimated useful lives, at the following annual rates:

Equipment and motor vehicles	10 - 20 %
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Gain or loss on disposal of fixed assets other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profit and is shown as a movement in reserves.

(k) Impairment of assets

At the balance sheet date, assets are reviewed to assess whether there is any indication that assets are impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised in the profit and loss account.

Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment been recognised in prior years.

(l) Revenue recognition

Major categories of revenue are recognised in the financial statements on the following bases : Sales of listed and unlisted investments are recognised when the title to the investment is transferred and the buyer takes legal possession of the investment.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

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

Rental receivable under operating lease is credited, on a straight line basis, over the lease terms to the profit and loss account.

(m) Deferred taxation

Deferred taxation is accounted for at current tax rate in respect of timing differences between results as computed for taxation purposes and results as stated in the financial statements to the extent that a liability or asset is expected to be payable or receivable in the foreseeable future.

(n) 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. Rental expenses in respect of operating leases are charged to the profit and loss account on the straight line basis over the lease terms.

(o) Retirement costs

The Group's contributions to mandatory provident fund are expensed as incurred.

(p) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at exchange rates ruling at the transaction dates. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies and the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars at exchange rates ruling at that date. Exchange differences arising from the translation of financial statements of overseas subsidiaries and associates are dealt with through reserves. All other exchange differences are included in the determination of operating results.

Notes to Financial Statements (Cont'd)

2. Principal accounting policies (Cont'd)

(q) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is determined on arm's length basis.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowing and corporate and financing expenses.

(r) Related parties

Two 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.

(s) Cash equivalents

Cash equivalents are 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.

3. Turnover

An analysis of the Group's turnover is as follows:

	2001 HK\$'000	2000 HK\$'000
Revenue from sales of listed investments	44,835	386,151
Dividends from listed investments	9,353	10,713
Dividends from unlisted investments	–	3,109
Interest income	2,937	12,585
Rental income	2,964	3,025
	<u>60,089</u>	<u>415,583</u>

Notes to Financial Statements (Cont'd)

4. Segment reporting

(1) Business segments

The Group comprises the following business segments:

Share investment and dealing – investments in listed and unlisted securities, purchase and sale of long-term and short-term listed securities

Other operation – property investment

	Share investment and dealing		Other operation		Elimination		Consolidated	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Segment revenue								
Turnover	57,760	413,340	2,964	3,025	(635)	(782)	60,089	415,583
Other revenue and income	5,597	202	-	-	-	-	5,597	202
Total revenue	<u>63,357</u>	<u>413,542</u>	<u>2,964</u>	<u>3,025</u>	<u>(635)</u>	<u>(782)</u>	<u>65,686</u>	<u>415,785</u>
Segment results	<u>(157,283)</u>	<u>(86,410)</u>	<u>192</u>	<u>1,837</u>	<u>2,000</u>	<u>-</u>	<u>(155,091)</u>	<u>(84,573)</u>
Finance costs							(29,627)	(12,761)
Share of results of associates							(4,342)	(8,293)
Loss before taxation							(189,060)	(105,627)
Taxation							(1,979)	(25)
Loss attributable to shareholders							<u>(191,039)</u>	<u>(105,652)</u>
Segment assets	1,517,234	1,559,604	37,030	39,040	(23,325)	(22,740)	1,530,939	1,575,904
Interests in associates							312,733	312,656
Unallocated assets							4,380	4,380
Total assets							<u>1,848,052</u>	<u>1,892,940</u>
Segment liabilities	512,399	500,400	23,730	23,292	(23,325)	(22,740)	512,804	500,952
Unallocated liabilities							2,548	27,425
Total liabilities							<u>515,352</u>	<u>528,377</u>
Other segment information								
Capital expenditure	38	9	-	-	-	-	38	9
Depreciation	63	56	-	-	-	-	63	56
Provision for impairment in value of investments	166,353	239,952	-	-	-	-	166,353	239,952
Unrealised loss of unconsolidated subsidiaries	20,000	-	-	-	-	-	20,000	-

(2) Geographical segments

Over 90% of the Group's revenue, assets and capital expenditure are derived from operations carried out in Hong Kong.

Notes to Financial Statements (Cont'd)

5. Operating loss before finance costs

	2001 HK\$'000	2000 HK\$'000
Operating loss before finance costs is stated after (crediting)/charging:		
Gross rental income from investment properties	(2,964)	(3,025)
Outgoings	52	120
	<u>(2,912)</u>	<u>(2,905)</u>
Auditors' remuneration	678	839
Staff costs	3,297	2,785
Depreciation	63	56
Rental of properties under operating leases	493	468
Profit on disposals of subsidiaries	(751)	–
Unrealised (gain) loss of listed investments held for trading purpose	(2,017)	1,403
Loss on disposals of long-term unlisted investments	–	874

6. Directors' remuneration

	2001 HK\$'000	2000 HK\$'000
Fees		
Independent Non-executive Directors	40	40
Other Directors	110	110
Other emoluments (Executive Directors)		
Salaries and allowances	4,141	4,262
Long service payment	1,011	–
Contributions to retirement scheme	148	179
	<u>5,450</u>	<u>4,591</u>

	2001 Number of Directors	2000 Number of Directors
HK\$ Nil – HK\$1,000,000	5	6
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$4,000,001 – HK\$4,500,000	1	–
	<u>7</u>	<u>7</u>

There was no arrangement under which a Director had waived or agreed to waive any remuneration. Pursuant to an Annual Bonus Scheme approved by the Board, Mr. Tan Boon Seng was eligible to an annual cash bonus determinable under the terms of that Scheme. No such cash bonus was provided for the year (2000: nil).