NOTES ON THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAP") and Interpretations issued by the Hong Kong Society of Accountants (the "HKSA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and the marking to market of certain investments in securities as explained in the accounting policies set out below.

(c) Subsidiaries

A subsidiary is an enterprise controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the consolidated financial statements, unless a subsidiary is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement or investment revaluation reserve as they arise until the investment is sold, collected, or otherwise disposed of, or until there is objective evidence that the investment is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the consolidated income statement.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

On disposal of a subsidiary during the year, any attributable amount of purchased goodwill not previously amortised through the income statement is included in the calculation of the profit or loss on disposal.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(h)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement or investment revaluation reserve as they arise until the investment is sold, collected, or otherwise disposed of, or until there is objective evidence that the investment is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the income statement.

1. Significant accounting policies (Continued)

(d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case it is stated at fair value with changes in fair value recognised in the consolidated income statement or investment revaluation reserve as they arise until the investment is sold, collected, or otherwise disposed of, or until there is objective evidence that the investment is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the consolidated income statement. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(e).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (see note 1(h)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor or venturer, in which case, it is stated at fair value with changes in fair value recognised in the income statement or investment revaluation reserve as they arise until the investment is sold, collected, or otherwise disposed of, or until there is objective evidence that the investment is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the income statement.

(e) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life of not more than 20 years. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortisation and any impairment losses (see note 1(h)).

In respect of acquisitions of associates, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life of not more than 20 years. The cost of positive goodwill less any accumulated amortisation and any impairment losses (see note 1(h)) is included in the carrying amount of the interest in associates.

1. Significant accounting policies (Continued)

(e) Goodwill (Continued)

Negative goodwill arising on acquisitions of controlled subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of acquisition. To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

In respect of any negative goodwill not yet recognised in the consolidated income statement:

– for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

– for associates, such negative goodwill is included in the carrying amount of the interests in associates.

On disposal of a controlled subsidiary or an associate during the year, any attributable amount of purchased goodwill not previously amortised through the consolidated income statement or which has previously been dealt with as a movement on group reserves is included in the calculation of the profit or loss on disposal.

(f) Fixed assets

(i) Investment properties

Investment properties are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers. Surpluses arising on revaluation are credited on a portfolio basis to the income statement to the extent of any deficit arising on revaluation previously charged to the income statement and are thereafter taken to the investment property revaluation reserve; deficits arising on revaluation are firstly set off against any previous revaluation surpluses and thereafter charged to the income statement.

No depreciation is provided for investment properties as all investment properties are either freehold or held under leases with unexpired terms of more than 20 years and the valuation takes into account the state of each property at the date of valuation.

(ii) Land and buildings

Land and buildings held for own use are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(h)).

1. Significant accounting policies (Continued)

(f) Fixed assets (Continued)

(ii) Land and buildings (Continued)

No amortisation is provided on freehold land. Leasehold land is amortised by equal instalments over the remaining periods of the relevant leases.

Buildings are depreciated on a straight-line basis over the shorter of 50 years and the unexpired terms of the leases.

(iii) Land use rights

Land use rights are included under land and buildings and are stated at cost less accumulated amortisation and impairment losses (see note 1(h)). Amortisation is calculated to write off the cost over the period of entitlement.

(iv) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and impairment losses (see note 1(h)). Depreciation is calculated to write off the cost of other fixed assets on a straight-line basis at the following rates:

Furniture and fixtures	10% – 20% per annum
Computer hardware and software	20% per annum
Motor vehicles	25% per annum

(v) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment property revaluation reserve is also transferred to the income statement for the year. For all other fixed assets, any related revaluation surplus is transferred from the revaluation reserve to retained profits.

(g) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES ON THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars)

1. Significant accounting policies (Continued)

(h) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than investment properties carried at revalued amounts);

– investments in subsidiaries and associates (except those accounted for at fair value under notes 1(c) and (d)); and

– positive goodwill.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised, except where the assets are carried at revalued amounts, in which case the reversal of impairment loss is treated as a revaluation movement.

(i) Investment in securities

The Group's policies for investment in securities other than investment in subsidiaries and associates are as follows:

(i) Trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement as they arise.

NOTES ON THE FINANCIAL STATEMENTS

(Continued)
(Expressed in Hong Kong dollars)

1. Significant accounting policies (Continued)

(i) Investment in securities (Continued)

(ii) Non-trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserve until the security is sold, collected, or otherwise disposed of, or until there is objective evidence that the security is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the income statement.

(iii) Transfers from the investment revaluation reserve to the income statement as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iv) Profits or losses on disposal of investments in securities are accounted for in the income statement as they arise. In the case of non-trading securities, the profit or loss includes any amount previously held in the investment revaluation reserve in respect of that security.

(j) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Sale of goods

Revenue arising from the sale of goods is recognised when the customer has accepted the goods and the related risks and rewards of ownership.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable.

(iii) Dividends

Dividend income from listed securities is recognised when the share price of the securities goes ex-dividend. Dividend income from unlisted investment is recognised in the accounting period in which they are declared or proposed and approved by shareholders of the investee company.

(iv) Profit on sale of listed securities

Profit on sales of listed securities is recognised on the trade date basis.

(v) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and at the rate applicable.

1. Significant accounting policies (Continued)

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is determined on a weighted average basis and includes the direct costs of purchase. Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business subsequent to the balance sheet date or to management estimates based on prevailing market conditions.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

(m) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

The financial statements of subsidiaries and associates denominated in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising thereon are dealt with as a movement in reserves.

On disposal of a subsidiary or associate denominated in foreign currencies, the cumulative amount of the exchange differences which relate to that subsidiary or associate is included in the calculation of the profit and loss on disposal.

(n) Operating leases

Rentals payable under operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective leases. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

1. Significant accounting policies (Continued)

(o) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(p) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include bank overdrafts and advances from banks repayable within three months from the date of the advance.

(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. For example segment assets may include inventories, trade receivables and property, plant and equipment. 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 based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

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

2. Turnover and segment reporting

The principal activities of the Group are the operation of department stores and property investments.

Group turnover represents the invoiced value of goods sold to customers less returns and income from property investments.

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

NOTES ON THE FINANCIAL STATEMENTS

(Continued)
(Expressed in Hong Kong dollars)

2. Turnover and segment reporting (Continued)

Business segments

The Group comprises the following main business segments:

Department stores: The operating of department stores to offer a wide range of consumer products.

Property investment: The leasing of office premises to generate rental income and to gain from the appreciation in the properties' values in the long term.

	Department stores		Property investment		Inter-segment elimination		Unallocated		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	1,551,231	1,510,712	312,501	322,484	–	–	–	–	1,863,732	1,833,196
Inter-segment revenue	1	6	69,166	78,109	(69,167)	(78,115)	–	–	–	–
Other revenue from external customers	–	–	–	–	–	–	10,832	27,646	10,832	27,646
Total	1,551,232	1,510,718	381,667	400,593	(69,167)	(78,115)	10,832	27,646	1,874,564	1,860,842
Profit from operations	(104,526)	(165,413)	261,361	295,945					156,835	130,532
Loss on cessation of department store operation in Tianjin	(13,731)	–	(2,000)	–					(15,731)	–
Segment result	(118,257)	(165,413)	259,361	295,945					141,104	130,532
Finance cost	–	–	–	–	–	–	(63,584)	(89,874)	(63,584)	(89,874)
Profit on disposal of associate	–	–	–	–	–	–	–	12,634	–	12,634
Loss on cessation of mortgage servicing and origination business written back/(made)	–	–	–	–	–	–	7,789	(13,205)	7,789	(13,205)
Interest income	–	–	–	–	–	–	11,722	15,200	11,722	15,200
Unallocated operating expenses net of income	–	–	–	–	–	–	(33,574)	(25,136)	(33,574)	(25,136)
	(118,257)	(165,413)	259,361	295,945	–	–	(77,647)	(100,381)	63,457	30,151
Share of profits less losses of associates									109,428	68,545
Profit from ordinary activities before taxation									172,885	98,696
Taxation									(83,581)	(50,231)
Profit from ordinary activities after taxation									89,304	48,465
Minority interests									2,554	(1,130)
Profit attributable to shareholders									91,858	47,335

NOTES ON THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars)

2. Turnover and segment reporting (Continued)

Business segments (Continued)

Operating loss incurred by department stores for the year ended 31st December, 2000 included pre-operating expenses amounted to $19,633,000 in respect of the opening of a new department store trading under the name of wing on *Plus* on Nathan Road in July 2000.

	Department stores		Property investment		Inter-segment elimination		Unallocated		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Depreciation and amortisation for the year	(40,905)	(44,804)	(29,969)	(29,005)	–	–	(585)	(879)	(71,459)	(74,688)
Impairment loss for the year (note 13(g))	(8,662)	–	(13,791)	–	–	–	–	–	(22,453)	–
Significant net non-cash income/(expenses) (other than depreciation and amortisation)	(5,069)	–	–	–	–	–	7,789	(13,205)	2,720	(13,205)
Segment assets	246,967	326,230	4,447,265	4,709,464	(38,458)	(35,792)	–	–	4,655,774	4,999,902
Interest in associates									485,858	417,386
Unallocated assets									631,095	683,532
Total assets									5,772,727	6,100,820
Segment liabilities	244,783	327,436	43,722	52,430	(38,458)	(35,792)	–	–	250,047	344,074
Unallocated liabilities									1,035,212	1,189,908
Total liabilities									1,285,259	1,533,982
Capital expenditure incurred during the year	6,900	49,660	14,517	20,494	–	–	925	922	22,342	71,076

2. Turnover and segment reporting (Continued)

Geographical segments

The Group's business is managed on a worldwide basis, but participates in four principal economic environments. Hong Kong is a major market for the Group's businesses. Australia and United States are the major markets for property investment. In the People's Republic of China, the business includes property investment and department stores.

In presenting information on the basis of geographical segments, segments revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Hong Kong		Australia		United States		The People's Republic of China		Others		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	1,624,435	1,573,574	132,843	145,319	24,345	25,333	79,885	84,572	2,224	4,398	1,863,732	1,833,196
Profit from operations	56,328	(3,416)	125,856	141,639	8,060	11,532	(35,009)	(23,160)	1,600	3,937	156,835	130,532
Loss on cessation of department store operation in Tianjin	–	–	–	–	–	–	(15,731)	–	–	–	(15,731)	–
Segment result	56,328	(3,416)	125,856	141,639	8,060	11,532	(50,740)	(23,160)	1,600	3,937	141,104	130,532
Finance cost											(63,584)	(89,874)
Profit on disposal of associate											–	12,634
Loss on cessation of mortgage servicing and origination business written back/(made)											7,789	(13,205)
Interest income											11,722	15,200
Unallocated operating expenses net of income											(33,574)	(25,136)
											63,457	30,151
Share of profits less losses of associates											109,428	68,545
Profit from ordinary activities before taxation											172,885	98,696
Taxation											(83,581)	(50,231)
Profit from ordinary activities after taxation											89,304	48,465
Minority interests											2,554	(1,130)
Profit attributable to shareholders											91,858	47,335

NOTES ON THE FINANCIAL STATEMENTS

(Continued)
(Expressed in Hong Kong dollars)

2. Turnover and segment reporting (Continued)

Geographical segments (Continued)

	Hong Kong		Australia		United States		The People's Republic of China		Others		Total	
	2001	**2000**	**2001**	**2000**	**2001**	**2000**	**2001**	**2000**	**2001**	**2000**	**2001**	**2000**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment assets	2,791,467	3,005,463	1,700,427	1,796,008	145,748	148,220	30,991	57,986	25,599	28,017	4,694,232	5,035,694
Inter-segment elimination	(17,586)	(18,926)	–	–	–	–	(20,872)	(16,866)	–	–	(38,458)	(35,792)
	2,773,881	2,986,537	1,700,427	1,796,008	145,748	148,220	10,119	41,120	25,599	28,017	4,655,774	4,999,902
Capital expenditure incurred during the year	15,966	63,744	3,552	4,150	1,371	1,970	1,453	1,212	–	–	22,342	71,076

3. Mortgage servicing

The Group has ceased its mortgage servicing and origination business with effect from 1st January, 2000. The provision for loss on cessation of mortgage servicing and origination business made or written back represented the movement in the provision required for the decline in such recoverable amounts and the costs for the orderly disposal of such business.

4. Other revenue and net losses

	2001	**2000**
	$'000	$'000
Other revenue		
Dividend and interest income from securities		
– listed	4,724	7,246
– unlisted	1,698	1,872
Restaurant operation income	–	7,355
Hotel revenue	4,930	14,653
Other interest income	11,722	15,200
Others	5,902	5,638
	28,976	51,964
Other net losses		
Net gain/(loss) on disposal of fixed assets	142	(1,841)
Net exchange loss	(8,252)	(16,343)
Net realised gain on trading securities	2,118	6,179
Net realised gain on disposal of non-trading securities (Note)	–	10,484
Net unrealised loss on trading securities	(13,426)	(10,301)
Net charge of impairment loss on non-trading securities	(3,917)	(5,289)
	(23,335)	(17,111)

Note: Net realised gain on disposal of non-trading security includes a surplus of $Nil (2000: $11,037,000) transferred from investment revaluation reserve previously recognised.

5. Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2001	2000 restated
	$'000	$'000
(a) Finance cost:		
Interest on bank advances and other borrowings repayable within five years	63,584	89,760
Finance charges on obligations under finance leases	–	114
	63,584	89,874

	2001	2000 restated
	$'000	$'000
(b) Other items:		
Cost of inventories sold	1,098,061	1,069,250
Staff costs	214,337	207,829
Operating lease charges		
– rentals on land and buildings	125,797	135,526
– contingent rent	983	1,241
Depreciation and amortisation		
– owned assets	71,459	73,963
– assets held under finance lease	–	725
Amortisation of goodwill	284	284
Recognition of negative goodwill	(352)	(352)
Impairment loss on fixed assets (note 13(g))	22,453	–
Auditors' remuneration		
– current year	2,455	2,245
– previous year	(10)	(196)
Rentals receivable from investment properties net of direct outgoings of $64,092,000 (2000: $60,203,000)	(247,307)	(260,954)

6. Taxation

(a) Taxation in the consolidated income statement represents:

	Group 2001 $'000	Group 2000 $'000
Provision for Hong Kong Profits Tax for the year	18,579	19,051
Overprovision in respect of prior years	(913)	(5,696)
	17,666	13,355
Overseas tax charge	5,536	2,267
Deferred taxation (note 25)	17,988	8,030
	41,190	23,652
Share of associates' taxation	42,391	26,579
	83,581	50,231

The provision for Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is similarly charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Taxation in the balance sheets represents:

	Group		Company	
	2001 $'000	2000 $'000	2001 $'000	2000 $'000
Provision for Hong Kong Profits Tax for the year	18,579	19,051	43	–
Provisional Profits Tax paid	(13,862)	(10,636)	(43)	–
	4,717	8,415	–	–
Balance of Profits Tax refundable relating to prior years	–	(259)	–	(259)
Overseas taxation recoverable	268	(3,352)	–	–
Tax payable/(recoverable)	4,985	4,804	–	(259)

7. Profit attributable to shareholders

The consolidated profit attributable to shareholders includes a loss of $128,874,000 (2000 restated: $83,766,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's loss for the year:

	2001	2000
		restated
	$'000	$'000
Amount of consolidated profit attributable to shareholders dealt with in the Company's financial statements	(128,874)	(83,766)
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	17,490	–
Company's loss for the year (note 27(b))	(111,384)	(83,766)

8. Dividends

(a) Dividends attributable to the year

	2001	2000
	$'000	$'000
Interim dividend declared and paid of 4 cents (2000: Nil) per share	11,813	–
Final dividend proposed after the balance sheet date of 12 cents per share (2000: 9 cents per share)	35,439	26,579
	47,252	26,579

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, proposed, approved and paid during the year

	2001	2000
	$'000	$'000
Final dividend in respect of the previous financial year, proposed, approved and paid during the year, of 9 cents per share (2000: 4 cents per share)	26,579	11,813

9. Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders for the year of $91,858,000 (2000 restated: $47,335,000) divided by 295,326,000 shares (2000: 295,326,000 shares) in issue during the year.

There were no outstanding potential ordinary shares throughout the years presented.

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(Continued)
(Expressed in Hong Kong dollars)

10. Emoluments of directors, five highest paid individuals and employees

(a) Emoluments of directors

(i) The aggregate emoluments of the directors are as follows:

	2001	2000
	$'000	$'000
Fees	490	420
Salaries, allowances and benefits in kind	5,181	5,144
Contributions to pension schemes	127	93
Discretionary bonuses	165	153
	5,963	5,810

(ii) The emoluments of the directors are within the following bands:

	Number of directors	
$	2001	2000
0 – 500,000	7	7
500,001 – 1,000,000	2	2
1,500,001 – 2,000,000	1	1
2,500,001 – 3,000,000	1	1
	11	11

(iii) Included in the emoluments of directors are emoluments of $490,000 (2000: $383,000) received by the independent non-executive directors.

(b) Emoluments of five highest paid individuals

(i) The five highest paid individuals in the Group include two (2000: two) directors whose emoluments are shown in (a)(i) above. The emoluments of the other three (2000: three) individuals who comprise the five highest paid individuals are:

	2001	2000
	$'000	$'000
Salaries, allowances and benefits in kind	6,064	5,518
Contributions to pension schemes	354	195
Discretionary bonuses	279	244
	6,697	5,957

10. Emoluments of directors, five highest paid individuals and employees (Continued)

(b) Emoluments of five highest paid individuals (Continued)

(ii) The above emoluments are analysed as follows:

	Number of individuals	
$	**2001**	**2000**
1,000,001 – 1,500,000	–	1
1,500,001 – 2,000,000	1	1
2,000,001 – 2,500,000	1	–
2,500,001 – 3,000,000	1	1
	3	3

(c) Employees' emoluments

The aggregate emoluments of all employees of the Group are as follows:

	2001	**2000**
	$'000	$'000
Salaries, allowances and benefits in kind	196,507	194,808
Contributions to pension schemes	11,952	11,839
Severance payments	5,063	296
Discretionary bonuses	815	886
	214,337	207,829

11. Pension schemes

The Group operates a Mandatory Provident Fund ("MPF") and a number of MPF exempted defined contribution schemes ("MPF exempted schemes"). Contributions by the Group to the schemes applicable to each year are charged to the income statement for the year. The Group is required to make contributions to the MPF exempted schemes based on a percentage of the relevant employees' salaries which is dependent on their length of service with the Group. The assets of the schemes are held separately from those of the Group in independently administered funds. Forfeited contributions in the MPF are used to reduce the Group's future contributions. Forfeited contributions in the MPF exempted schemes are allocated to existing employees. The Group's total pension cost for the year was $12,079,000 (2000: $11,932,000).

12. Change of accounting policies

(a) Goodwill arising on acquisition

In prior years, goodwill or negative goodwill arising on the acquisition of subsidiaries and associates, was charged or credited to reserves in the year in which it arises. With effect from 1st January, 2001, in order to comply with SSAP 30 "Business combinations" issued by the HKSA, goodwill arising on consolidation is being carried forward and amortised on a straight-line basis over its estimated useful life of a period of not more than 20 years. Goodwill arising on consolidation prior to 1st January, 2001, which was previously eliminated directly against reserves, has been restated as a result of the change of accounting policy.

As a result of this new accounting policy, the Group's net assets at 31st December, 2001 have been increased by $45,194,000 (2000: $49,834,000), of which $43,262,000 (2000: $47,618,000) is attributable to interest in associates, and the Group's profit attributable to shareholders for the year has been decreased by $4,612,000 (2000: $2,945,000). The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods.

(b) Dividends

In prior years, dividends proposed or declared after the balance sheet date in respect of an accounting year were recognised as liabilities at the balance sheet date. With effect from 1st January, 2001, in order to comply with SSAP 9 (revised) "Events after the balance sheet date" issued by the HKSA, the Group recognises a liability for dividends in the accounting period in which they are declared or proposed and approved by shareholders. Consequently, dividend income from subsidiaries is recognised as income in the Company's income statement in the accounting period in which they are declared or proposed and approved by shareholders.

As a result of this new accounting policy, the Group's net assets at 31st December, 2001 have been increased by $35,439,000 (2000: $26,579,000). There is no impact on the Group's profit attributable to shareholders for the periods presented. The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods.

(c) Provisions and contingent liabilities

In prior years, no provision was made for the eventual costs that relate to the restoration of the alterations made to the premises leased from third parties. With effect from 1st January, 2001, in order to comply with SSAP 28 "Provisions, contingent liabilities and contingent assets" issued by the HKSA, the best estimates of the eventual restoration costs are provided for and charged to income statement on a straight-line basis over the lease terms. The effect of adopting the SSAP has been adjusted to the opening balance of retained earnings for the year. No restatement of other comparative information has been made.

13. Fixed assets

(a) The Group

	Land and buildings $'000	Other assets $'000	Sub-total $'000	Investment properties $'000	Total $'000
Cost or valuation:					
At 1st January, 2001	830,222	566,931	1,397,153	3,875,796	5,272,949
Exchange adjustments	221	1,055	1,276	(156,897)	(155,621)
Adjustment for restoration costs	–	5,807	5,807	–	5,807
Additions	–	17,449	17,449	4,893	22,342
Disposals	(3,720)	(47,127)	(50,847)	(31,545)	(82,392)
Deficit on revaluation	–	–	–	(42,139)	(42,139)
Transfer in/(out)	(206,611)	–	(206,611)	165,546	(41,065)
At 31st December, 2001	620,112	544,115	1,164,227	3,815,654	4,979,881
Aggregate depreciation and amortisation:					
At 1st January, 2001	117,806	341,388	459,194	–	459,194
Exchange adjustments	223	758	981	–	981
Adjustment for restoration costs	–	3,059	3,059	–	3,059
Charge for the year	17,273	54,186	71,459	–	71,459
Written back on disposals	(635)	(45,901)	(46,536)	–	(46,536)
Transfer out	(41,065)	–	(41,065)	–	(41,065)
Impairment loss (note 13(g))	13,670	8,783	22,453	–	22,453
At 31st December, 2001	107,272	362,273	469,545	–	469,545
Net book value:					
At 31st December, 2001	512,840	181,842	694,682	3,815,654	4,510,336
At 31st December, 2000	712,416	225,543	937,959	3,875,796	4,813,755

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(Continued)
(Expressed in Hong Kong dollars)

13. Fixed assets (Continued)

(a) The Group (Continued)

The analysis of cost or valuation of the fixed assets of the Group are as follows:

	At cost, less provision	**At professional valuation in 2001**	**At directors' valuation in 1981**	**Total**
	$'000	$'000	$'000	$'000
Land and buildings				
Leasehold land and buildings				
– held under long lease in Hong Kong	129	–	150,263	150,392
– held under medium term lease in Hong Kong	443,400	–	–	443,400
– held under medium term lease outside Hong Kong	15,382	–	–	15,382
Freehold land and buildings outside Hong Kong	10,938	–	–	10,938
Investment properties				
Long lease				
– in Hong Kong	–	1,670,000	–	1,670,000
– outside Hong Kong	–	91,395	–	91,395
Medium term lease in Hong Kong	–	283,228	–	283,228
Freehold outside Hong Kong	–	1,771,031	–	1,771,031
Other fixed assets	544,115	–	–	544,115
	1,013,964	3,815,654	150,263	4,979,881

(b) In preparing these financial statements, advantage has been taken of the provisions set out in paragraph 80 of SSAP 17 "Property, Plant and Equipment" issued by the HKSA, with the effect that land and buildings have not been revalued to fair value at the balance sheet date.

(c) The carrying amount of land and buildings that would have been included in the financial statements had the assets been carried at cost less accumulated depreciation is as follows:

	Group	
	2001	**2000**
	$'000	$'000
Cost	554,693	764,802
Accumulated depreciation	(75,452)	(99,874)
Net book value	479,241	664,928

13. Fixed assets (Continued)

(d) Investment properties of the Group situated in Hong Kong were revalued by DTZ Debenham Tie Leung Limited, Chartered Surveyors, on an open market value basis at 31st December, 2001. Investment properties of the Group situated outside Hong Kong were revalued either by Jones Lang LaSalle Advisory Services Pty Limited, Certified Practising Valuers, Jones Lang LaSalle Limited, Registered Valuers, CB Richard Ellis (V) Pty Ltd, Certified Practising Valuers, or Bolton & Baer, Licensed Real Estate Appraisers, on an open market value basis at 31st December, 2001. The revaluation deficit after minority interests of $42,124,000 has been transferred to the investment property revaluation reserve (note 27).

(e) The Group leases out investment properties under operating leases. The leases typically run for an initial period of one to eighteen years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The gross carrying amounts of investment properties of the Group held for use in operating leases were $3,815,654,000 (2000: $3,875,796,000).

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2001	**2000**
	$'000	$'000
Within one year	223,304	235,405
After 1 year but within 5 years	502,141	465,494
After 5 years	27,624	80,805
	753,069	781,704

(f) Other assets comprise plant, equipment, fixtures and fittings and motor vehicles.

(g) Impairment loss

The prolonged abandonment of land use rights in the PRC, the land in the USA and the proposed discontinuance of the department store operation in Tianjin have caused the Group to assess the recoverable amount of the land use rights, the land and the assets attributable to the Tianjin department store operation. Based on this assessment, the carrying amount of the assets was written down by $22,453,000, of which $10,662,000 was attributable to the Tianjin department store operation. The estimates of recoverable amount were based on the assets' value in use.

NOTES ON THE FINANCIAL STATEMENTS

(Continued)
(Expressed in Hong Kong dollars)

14. Interest in subsidiaries

	Company 2001	2000 restated
	$'000	$'000
Unlisted shares, at cost	2,801,991	2,801,991
Amounts due from subsidiaries	1,592,448	1,631,836
	4,394,439	4,433,827
Amounts due to subsidiaries	(1)	(17,710)
	4,394,438	4,416,117
Impairment loss	(489,373)	(361,373)
	3,905,065	4,054,744

Details of the principal subsidiaries are set out on pages 62 to 66.

15. Goodwill

	Positive goodwill	Negative goodwill	Total
	$'000	$'000	$'000
Cost:			
– as restated			
At 1st January, and at 31st December, 2001	178,553	(2,558)	175,995
Amortisation:			
– as restated			
At 1st January, 2001	176,337	(2,558)	173,779
Charge for the year	284	–	284
At 31st December, 2001	176,621	(2,558)	174,063
Carrying amount:			
At 31st December, 2001	1,932	–	1,932
At 31st December, 2000	2,216	–	2,216

The amortisation of positive goodwill for the year is included in "other operating expenses" in the consolidated income statement.

16. Interest in associates

	2001	2000 restated
	$'000	$'000
Unlisted shares		
Share of net assets other than goodwill	440,381	356,616
Share of unamortised goodwill		
– as previously reported		–
– prior period adjustment arising from change in accounting policy (note 12(a))		51,484
Share of unamortised goodwill (2000: as restated)	46,776	51,484
Negative goodwill on acquisition		
– as previously reported		–
– prior period adjustment arising from change in accounting policy (note 12(a))		(3,866)
Negative goodwill on acquisition (2000: as restated)	(3,514)	(3,866)
Amounts due from associates less provision (note 16(b))	2,215	13,152
	485,858	417,386

(a) Details of the principal associates are set out on page 67.

(b) Subsequent to the year end, the Group has decided to dispose of the entire interest in an associate, China Development Incorporated ("CDI"), which owned Wuhan Wing On Department Store, to one of the other shareholders of CDI for a cash consideration of $1. Wuhan Wing On Department Store had incurred losses and ceased operation by the end of August 2001. The investment in CDI was considered no longer viable. Furthermore, the Group has agreed to waive the amount of $11,673,000 which was advanced to CDI to support the operation of Wuhan Wing On Department Store in the past. There was no likelihood that CDI could repay such amount.

(c) Additional information in respect of the Group's material associate, WL Investments Limited, extracted from its audited financial statements, is given as follows:

	2001	2000 restated
	$'000	$'000
Operating results		
Turnover	9,209,791	8,533,116
Profit before taxation	233,010	149,769
Profit after taxation	142,816	93,218
Group's share of profit after taxation attributable to the material associate	67,123	43,813

16. Interest in associates (Continued)

(c) (Continued)

	2001 $'000	2000 restated $'000
Non-current assets:		
As previously reported		977,690
Prior period adjustment arising from change in accounting policy for goodwill (note 12(a))		109,541
Non-current assets (2000: as restated)	1,113,497	1,087,231
Current assets*	1,325,044	1,318,131
Total assets	2,438,541	2,405,362
Current liabilities	898,300	1,007,410
Non-current liabilities	503,620	504,933
Total liabilities	1,401,920	1,512,343
Net assets	1,036,621	893,019
Group's share of net assets attributable to the material associate	487,212	419,719

* Current assets comprise mainly inventories of motor vehicles.

At the balance sheet date, the Group has an equity interest of 50% in WL Investments Limited ("WL") Group. Due to the existence of a phantom stock plan for the benefit of the WL Group's key employees, the Group's effective share of the results and net assets of the WL Group is 47%.

(d) In 2000, the Group disposed of its entire interest in an associate, Seiyu Holdings Pte Ltd ("Seiyu Holdings") for a consideration of $65.5 million, resulting in a net profit on disposal of $12.6 million. Seiyu Holdings was incorporated in Singapore and the principal activity of which was investment holding. Prior to the disposal, the Group held 30% equity interest in Seiyu Holdings.

17. Non-trading securities

	Group 2001 $'000	Group 2000 $'000
Equity securities		
– Listed outside Hong Kong, at market value	14,294	18,212
– Unlisted	118,237	107,146
	132,531	125,358

18. Trading securities

	Group 2001	Group 2000
	$'000	$'000
Debt securities		
– Listed outside Hong Kong, at market value	55,029	108,941
Equity securities		
Listed:		
– in Hong Kong, at market value	42,362	51,168
– outside Hong Kong, at market value	18,907	22,739
	61,269	73,907
	116,298	182,848

19. Inventories

Of the total inventories of $76,533,000 (2000: $86,317,000), the amount of inventories carried at net realisable value is $46,155,000 (2000: $46,845,000). A general provision of $1,695,000 (2000: $3,326,000) has also been made against the inventories at the balance sheet date.

20. Debtors, deposits and prepayments

	Group 2001	Group 2000	Company 2001	Company 2000
	$'000	$'000	$'000	$'000
Trade and other debtors, net of provision for doubtful debts	23,501	30,800	–	–
Deposits and prepayments	56,827	101,545	203	212
	80,328	132,345	203	212

(a) The ageing analysis of trade and other debtors, net of provisions for doubtful debts, is as follows:

	Group 2001	Group 2000
	$'000	$'000
Current	20,722	28,629
1 to 3 months overdue	1,526	1,370
More than 3 months overdue	1,253	801
	23,501	30,800

Debts are normally due within 30 days from the date of billing.

(b) All deposits and prepayments, apart from certain rental deposits of $26,490,000 (2000: $33,118,000), are expected to be recovered within one year.

21. Cash and cash equivalents

	Group 2001 $'000	Group 2000 $'000	Company 2001 $'000	Company 2000 $'000
Deposits with banks	302,506	257,879	–	14
Cash at bank and in hand	64,719	79,734	423	263
	367,225	337,613	423	277

22. Creditors and accrued charges

	Group 2001 $'000	Group 2000 $'000	Company 2001 $'000	Company 2000 $'000
Trade and other creditors	204,140	291,371	–	–
Accrued charges	60,309	73,601	7,011	7,036
	264,449	364,972	7,011	7,036

The ageing analysis of trade and other creditors is as follows:

	Group 2001 $'000	Group 2000 $'000
Amounts not yet due	177,907	212,829
On demand or overdue for less than 1 month	15,438	67,141
1 to 3 months overdue	1,548	5,249
3 to 12 months overdue	9,247	6,152
	204,140	291,371

23. Non-current interest-bearing bank loans

	Group 2001 $'000	Group 2000 $'000
Bank loans and overdrafts (note 24)		
– secured	926,373	1,115,627
– unsecured	–	2,167
	926,373	1,117,794
Amounts due within 1 year included under current liabilities	(72,431)	(140,481)
	853,942	977,313

24. Bank loans and overdrafts

At 31st December, 2001, the bank loans and overdrafts of the Group were repayable as follows:

	Group	
	2001	**2000**
	$'000	$'000
Within 1 year or on demand	72,431	140,481
After 1 year but within 2 years	48,235	13,797
After 2 years but within 5 years	805,707	14,922
Over 5 years	–	948,594
	853,942	977,313
	926,373	1,117,794

At 31st December, 2001, certain assets of the Group with the following net book values have been pledged to banks to secure banking facilities to the extent of $1,131,471,000 (2000: $1,620,970,000) granted to the Group:

	Group	
	2001	**2000**
	$'000	$'000
Land and buildings	113,382	115,216
Investment properties	3,269,225	3,477,448
Trading securities	7,317	103,634
Cash at bank	23,685	28,269
	3,413,609	3,724,567

25. Deferred taxation

	Group	
	2001	**2000**
	$'000	$'000
At 1st January	34,905	32,527
Exchange adjustments	(3,019)	(4,261)
Amount charged to income statement (note 6(a))	17,988	8,030
Disposal on cessation of mortgage servicing and origination business (note 3)	–	(1,391)
Amount transfer to investment property revaluation reserve (note 27(a))	31,071	–
At 31st December	80,945	34,905

The provision for deferred tax charged to income statement is made in respect of timing differences on fixed assets to the extent that a liability is anticipated. The surplus arising on revaluation of investment properties situated in Hong Kong does not constitute a timing difference for tax purposes. Deferred taxation has been provided on the revaluation surplus of investment properties situated overseas to the extent that a liability is anticipated.

26. Share capital

	2001	**2000**
	$'000	$'000
Authorised:		
400,000,000 shares of $0.1 each	40,000	40,000
Issued and fully paid:		
295,326,000 shares of $0.1 each	29,533	29,533

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(Continued)

(Expressed in Hong Kong dollars)

27. Reserves

(a) Group

	Investment property revaluation reserve $'000	Land and building revaluation reserve $'000	Investment revaluation reserve $'000	Exchange reserve $'000	Other capital reserves $'000	Contributed surplus $'000	Retained profits $'000	Total $'000
At 1st January, 2001								
– as previously reported	1,441,511	204,249	82,773	(167,679)	41,931	754,347	2,085,296	4,442,428
– changes in accounting policies with respect to								
– goodwill arising on acquisition (note 12(a))	–	–	–	(210)	246,987	–	(196,943)	49,834
– dividends (note 12(b))	–	–	–	–	–	–	26,579	26,579
	1,441,511	204,249	82,773	(167,889)	288,918	754,347	1,914,932	4,518,841
Adjustment on the opening balance of retained profits								
– provision for restoration costs on premises leased from third parties (note 12(c))	–	–	–	–	–	–	(3,059)	(3,059)
– as restated	1,441,511	204,249	82,773	(167,889)	288,918	754,347	1,911,873	4,515,782
Dividends approved in respect of previous year (note 8(b))	–	–	–	–	–	–	(26,579)	(26,579)
Revaluation deficit transferred to the income statement on disposal of investment property	3,119	–	–	(405)	–	–	–	2,714
Deficit on revaluation after minority interests (note 13(d))	(42,124)	–	–	–	–	–	–	(42,124)
Share of revaluation deficit of associates	(5,418)	–	–	–	–	–	–	(5,418)
Deferred tax (note 25)	(31,071)	–	–	–	–	–	–	(31,071)
Surplus on revaluation of non-trading securities	–	–	11,107	–	–	–	–	11,107
Share of increase in capital reserves of associates	–	–	–	–	6,019	–	–	6,019
Exchange differences arising on consolidation	–	–	–	(68,443)	–	–	–	(68,443)
Profit for the year	–	–	–	–	–	–	91,858	91,858
Dividends declared and paid in respect of the current year (note 8(a))	–	–	–	–	–	–	(11,813)	(11,813)
At 31st December, 2001	1,366,017	204,249	93,880	(236,737)	294,937	754,347	1,965,339	4,442,032

NOTES ON THE FINANCIAL STATEMENTS

(Continued)

(Expressed in Hong Kong dollars)

27. Reserves (Continued)

(a) Group (Continued)

	Investment property revaluation reserve $'000	Land and building revaluation reserve $'000	Investment revaluation reserve $'000	Exchange reserve $'000	Other capital reserves $'000	Contributed surplus $'000	Retained profits $'000	Total $'000
At 1st January, 2000								
– as previously reported	1,373,592	204,249	38,805	(76,308)	37,271	754,347	2,061,595	4,393,551
– changes in accounting policies with respect to								
– goodwill arising on acquisition (note 12(a))	–	–	–	(399)	243,032	–	(193,998)	48,635
– dividends (note 12(b))	–	–	–	–	–	–	11,813	11,813
– as restated	1,373,592	204,249	38,805	(76,707)	280,303	754,347	1,879,410	4,453,999
Surplus on revaluation after minority interests	71,641	–	–	–	–	–	–	71,641
Share of revaluation deficit of associates	(3,722)	–	–	–	–	–	–	(3,722)
Surplus on revaluation of non-trading securities	–	–	55,005	–	–	–	–	55,005
Transfer to the income statement on disposal of non-trading securities	–	–	(11,037)	–	–	–	–	(11,037)
Exchange differences arising on consolidation	–	–	–	(91,182)	–	–	–	(91,182)
Share of increase in capital reserves of associates	–	–	–	–	8,615	–	–	8,615
Dividends paid during the year (note 8(b))	–	–	–	–	–	–	(11,813)	(11,813)
Profit for the year (as restated)	–	–	–	–	–	–	47,335	47,335
At 31st December, 2000	1,441,511	204,249	82,773	(167,889)	288,918	754,347	1,914,932	4,518,841

27. Reserves (Continued)

(b) Company

	Contributed surplus $'000	Retained profits $'000	Total $'000
At 1st January, 2001			
– as previously reported	2,997,350	1,012,484	4,009,834
– changes in accounting policy with respect to			
– dividends proposed (note 12(b))	–	26,579	26,579
– dividend income (notes 7 and 12(b))	–	(17,490)	(17,490)
– as restated	2,997,350	1,021,573	4,018,923
Dividends paid during the year	–	(26,579)	(26,579)
Loss for the year	–	(111,384)	(111,384)
Dividends declared and paid in respect of the current year (note 8(a))	–	(11,813)	(11,813)
At 31st December, 2001	2,997,350	871,797	3,869,147

	Contributed surplus $'000	Retained profits $'000	Total $'000
At 1st January, 2000			
– as previously reported	2,997,350	1,105,339	4,102,689
– changes in accounting policy with respect to dividends (note 12(b))	–	11,813	11,813
– as restated	2,997,350	1,117,152	4,114,502
Dividends paid during the year (note 8(b))	–	(11,813)	(11,813)
Loss for the year	–	(83,766)	(83,766)
At 31st December, 2000	2,997,350	1,021,573	4,018,923

(c) The capital reserves, exchange reserve and revaluation reserves have been set up and will be dealt with in accordance with the accounting policies adopted for foreign currency translation and the revaluation of investment properties and investments in securities (note 1).

27. Reserves (Continued)

(d) Pursuant to the Scheme of Arrangement in 1991, the former holding company of the Group became a subsidiary of the Company. The excess value of the consolidated net assets of the subsidiaries acquired over the nominal value of the new shares of the Company issued under the Scheme of Arrangement was credited to contributed surplus of the Company. The Group's contributed surplus represents the excess of the aggregate of the nominal value of the share capital and share premium of the former holding company over the nominal value of the new shares of the Company issued under the Scheme of Arrangement.

In addition to the retained profits, under the Companies Act of Bermuda, the Company's contributed surplus is available for distribution to shareholders. However, the directors have no current intention to distribute this surplus.

(e) The Group's share of the post-acquisition accumulated reserves of associates is as follows:

	2001	**2000**
		restated
	$'000	$'000
Investment property revaluation reserve	45,820	51,238
Other capital reserves	36,233	30,214
Retained profits	307,225	240,188
	389,278	321,640

28. Contingent liabilities

The Company has undertaken to guarantee certain loans and other facilities granted to certain subsidiaries to the extent of $933,563,000 (2000: $1,198,091,000), of which $898,744,000 (2000: $1,034,266,000) were utilised at 31st December, 2001.

29. Commitments

(a) Capital commitments

Group capital commitments at 31st December, 2001 not provided for in the financial statements were as follows:

	2001	**2000**
	$'000	$'000
Authorised and contracted for	357	2,274
Authorised but not contracted for	–	–
	357	2,274

29. Commitments (Continued)

(b) Commitments under operating leases

At 31st December, 2001, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2001	**2000**
		restated
	$'000	$'000
Within 1 year	113,262	117,307
After 1 year but within 5 years	138,053	253,926
After 5 years	–	–
	251,315	371,233

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to eight years, with an option to renew the lease when all terms are renegotiated. The amount of contingent rent incurred in 2001 is stated in note 5(b).

30. Related party transactions

Material related party transactions are as follows:

(a) A fellow subsidiary rents retail premises to a subsidiary. Rental and management fees payable to this fellow subsidiary amounted to $14,380,000 (2000: $14,380,000) during the year. The amounts due to the fellow subsidiary at 31st December, 2001 amounted to $6,953,000 (2000: $9,034,000).

(b) A subsidiary rents office premises to a fellow subsidiary. Rental and management fees receivable from this fellow subsidiary amounted to $2,367,000 (2000: $3,165,000) during the year. The amounts had been fully settled by the balance sheet date.

(c) The Company reimbursed a fellow subsidiary for the sharing of office space and facilities. Reimbursement payable to this fellow subsidiary amounted to $144,000 (2000: $144,000) during the year. The amount had been fully settled by the balance sheet date.

(d) A fellow subsidiary, engaging in securities practice, deals in securities for certain subsidiaries of the Group. Commission of $22,000 (2000: $119,000) was payable to the fellow subsidiary during the year. The amounts due from the fellow subsidiary at 31st December, 2001 amounted to $56,000 (2000: $2,973,000).

31. Post balance sheet events

(a) Subsequent to the year end, the Group has decided to cease the business of The Wing On Department Stores (Tianjin FTZ) Ltd. ("WODS (Tianjin)") and The Wing On Catering and Amusement (Tianjin) Ltd. ("WO Catering") with effect from 1st May, 2002 and the subsidiaries would be put into liquidation. The results of these operations had previously been reported in the department store segment and the PRC geographical segment. The financial statements of WODS (Tianjin) and WO Catering for the year ended 31st December, 2001 have been prepared on a break-up basis as these subsidiaries are no longer going concerns. Adjustments have been made to reduce the value of assets to their recoverable amounts and to provide for other expected liabilities and expenses to be incurred by the subsidiaries in connection with the cessation of business. The revenue recognised relating to these operations for the year ended 31st December, 2001 was $81,412,000 and the loss before the above adjustments and taxation was $16,346,000.

(b) In the first quarter of 2002, the Group has entered into agreements to dispose of certain investment properties located in Australia held by its subsidiaries. It is anticipated that the transaction will give rise to a profit before tax of approximately $45 million in 2002. Details of the transaction have been disclosed in the circular to shareholders dated 26th March, 2002 in accordance with the Listing Rules. The carrying value of and turnover generated from these investment properties constitute approximately 7.6% and 1.5% of the consolidated net assets and turnover respectively in the financial statements for the year ended 31st December, 2001.

(c) Subsequent to the year end, an associate, WL Investments, Inc., has disposed of certain investment properties in the United States of America. It is anticipated that the transaction will contribute a profit before tax of approximately $39 million to the Group in 2002.

(d) After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 8(b).

32. Comparative figures

Certain comparative figures have been adjusted as a result of changes in accounting policies for goodwill arising from acquisitions, dividends, provisions and contingent liabilities, details of which are set out in note 12.

33. Ultimate holding company

The directors consider the ultimate holding company at 31st December, 2001 to be Kee Wai Investment Company, Limited, which is incorporated in Hong Kong.