

Notes to Financial Statements

31 December 2000

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1. CORPORATE DEVELOPMENT

The Group sustained a consolidated net loss from ordinary activities attributable to shareholders of HK\$44,977,000 for the year ended 31 December 2000 (1999: HK\$37,319,000), and as at that date, the Group had accumulated losses of HK\$617,367,000 (1999: HK\$572,390,000) and net current liabilities of HK\$29,827,000 (1999: HK\$146,160,000).

During the year, the Company entered into agreements with independent third parties for the disposal of certain property development projects in the PRC, and cash proceeds of approximately HK\$158,381,000 will be received in the year 2001. This will enhance the working capital of the Group.

2. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- property investment
- property development
- golf club operations

The amounts due to the ultimate holding company is unsecured, interest-free and has no fixed terms of repayment.

In the opinion of the Directors, the ultimate holding company is Ramon Limited, which is incorporated in the British Virgin Islands.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties as further explained below.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2000. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Goodwill

Goodwill arising on the acquisition of associates represents the excess of purchase consideration paid for associates over the fair values ascribed to the underlying net assets acquired.

Goodwill arising on the acquisition of associates is amortised on the straight line basis over three years or the remaining tenure of the underlying joint ventures on the basis of forecasted revenue which is reviewed annually. Such goodwill is stated in the consolidated balance sheet at the amortised balance less any impairment in value, other than those considered to be temporary in nature, deemed necessary by the Directors.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its Board of Directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the Directors, there have been permanent diminutions in values, in which case they are written down to values determined by the Directors.

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

Notes to Financial Statements (continued)

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures (continued)

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting.

Associates

An associate is a company, not being a subsidiary or a joint venture, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any provisions for permanent diminutions in values deemed necessary by the Directors. Goodwill arising from the acquisition of associates is included as part of the Group's interests in associates, and is amortised on the basis set out in the "Goodwill" section above.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	33 $\frac{1}{3}$ %
Furniture, fixtures and equipment	18% – 33 $\frac{1}{3}$ %
Motor vehicles	15% – 33 $\frac{1}{3}$ %

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged to the profit and loss account.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties under development

Properties under development are stated at cost less any provisions for permanent diminutions in values deemed necessary by the Directors.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries, jointly-controlled entities and associates denominated in foreign currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange equalisation reserve.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance for all its employees who are eligible to participate in the Scheme. The Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administrated fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

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 on the following bases:

- (a) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable; and
- (b) rental income, on a time proportion basis over the lease terms.

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. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, 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 advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Notes to Financial Statements (continued)

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4. TURNOVER AND REVENUE

Turnover represents interest income and rental income, net of business and real estate taxes, received and receivable from investment properties situated in the PRC during the year.

An analysis of turnover and revenue is as follows:

	GROUP	
	2000 HK\$'000	1999 HK\$'000
Turnover:		
Interest income	5,580	4,170
Gross rental income	1,492	911
	7,072	5,081
Other revenue:		
Release of post-acquisition losses on disposal of certain equity interests in a subsidiary	10,178	–
Management service income	120	120
Others	42	2
	10,340	122
Total revenue	17,412	5,203

Notes to Financial Statements (continued)

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5. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	GROUP	
	2000	1999
	HK\$'000	HK\$'000
Auditors' remuneration	548	548
Depreciation	473	99
Deficit on revaluation of investment properties	5,000	1,791
Operating lease rentals in respect of land and buildings	1,473	262
Amortisation of goodwill	3,595	–
Staff costs (exclude Directors' remuneration, note 7):		
Salaries	4,107	2,375
Pension contributions	11	–
	4,118	2,375
Gain on disposal of fixed assets	(43)	–
Exchange (gains)/losses, net	(323)	350
Net rental income	(851)	(315)

6. FINANCE COSTS

	GROUP	
	2000	1999
	HK\$'000	HK\$'000
Interest expense:		
Bank loans and overdrafts wholly repayable within five years	8,903	17,454
Loans wholly repayable within five years:		
Other loans	3,086	752
Related companies	20,113	14,152
Convertible notes	421	–
	32,523	32,358

Notes to Financial Statements (continued)

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7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	GROUP			
	Executive		Independent non-executive	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Fees	–	–	240	200
Other emoluments:				
Salaries, allowances and benefits in kind	1,658	–	–	–
	1,658	–	240	200

No value is included in Directors' remuneration in respect of share options granted in the year 1999 because, in the absence of a readily available market value for the options on the Company's shares, the Directors were unable to arrive at an accurate assessment of the value of the options granted.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

The remuneration of the Directors fell within the following bands:

	Number of Directors	
	2000	1999
Nil – HK\$1,000,000	12	5
HK\$1,500,001 – HK\$2,000,000	1	–
	13	5

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8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (1999: Nil) Director, the details of whose remuneration are set out in note 7 above. The details of the remuneration of the remaining four (1999: Five) non-Director, highest paid employees are as follows:

	GROUP	
	2000	1999
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	1,532	1,892

The remuneration of the remaining four (1999: Five) non-Director, highest paid employees fell within the band of Nil – HK\$1,000,000.

9. TAX

	GROUP	
	2000	1999
	HK\$'000	HK\$'000
Group:		
Provision for the year:		
Elsewhere	1,010	839
Underprovision in prior year:		
Hong Kong	–	96
Share of associates' tax:		
Provision for the year	1,316	1,278
Tax charge for the year	2,326	2,213

No provision for Hong Kong profits tax has been made as the Group has no assessable profits which were earned in or derived from Hong Kong during the year. Taxes on the profits assessable elsewhere have been calculated at the rates of tax prevailing in the areas in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Notes to Financial Statements (continued)

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10. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$30,458,000 (1999: HK\$84,144,000).

11. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$44,977,000 (1999: HK\$37,319,000) and the weighted average of 5,301,367,000 (1999: 4,065,658,000 after adjusting for the subdivision of one ordinary share of HK\$0.10 each into five ordinary shares of HK\$0.02 each in year 2000) shares of the Company in issue during the year.

The diluted loss per share for the years ended 31 December 2000 and 1999 have not been shown as the warrants and share options outstanding, respectively, had an anti-dilutive effect on the basic loss per share for these years.

Notes to Financial Statements (continued)

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12. FIXED ASSETS

GROUP

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:				
At beginning of year	–	544	1,655	2,199
Exchange realignment	–	(1)	(5)	(6)
Additions	3,098	1,611	480	5,189
Disposals	–	(124)	(1,319)	(1,443)
At 31 December 2000	3,098	2,030	811	5,939
Accumulated depreciation:				
At beginning of year	–	450	1,606	2,056
Exchange realignment	–	(1)	(4)	(5)
Provided during the year	258	130	85	473
Disposals	–	(106)	(1,276)	(1,382)
At 31 December 2000	258	473	411	1,142
Net book value:				
At 31 December 2000	2,840	1,557	400	4,797
At 31 December 1999	–	94	49	143

Notes to Financial Statements (continued)

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12. FIXED ASSETS (continued)

COMPANY

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:				
At beginning of year	–	437	–	437
Additions	3,098	1,611	480	5,189
Disposals	–	(86)	–	(86)
At 31 December 2000	3,098	1,962	480	5,540
Accumulated depreciation:				
At beginning of year	–	372	–	372
Provided during the year	258	120	80	458
Disposals	–	(81)	–	(81)
At 31 December 2000	258	411	80	749
Net book value:				
At 31 December 2000	2,840	1,551	400	4,791
At 31 December 1999	–	65	–	65

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13. INVESTMENT PROPERTIES

	GROUP	
	2000	1999
	HK\$'000	HK\$'000
Balance at beginning of year	85,000	89,000
Deficit on revaluation	(5,000)	(4,000)
Balance at end of year	80,000	85,000

The investment properties are held under long term leases in the PRC.

Details of the investment properties are as follows:

Location	Unit number	Existing use
Block One, Fortune Garden, 1357 Dongfang Lu, Pudong District, Shanghai, The PRC	1B, 8B, 9B, 9D, 9E, 10B, 10D, 10E, 11D, 11E, 12B, 12D, 12E, 14A, 14B, 14D, 14E, 15B, 15E, 17B, 17E, 18A, 18C, 18E and 19E	Residential premises for rental
	2A, 2B, 2C, 2D, 2E, 3A, 3B, 3C, 3E, 4A, 4B, 4C, 4E, 5A, 5B, 5C, 5E, 6B, 6C, 6E, 7B, 7C, 8A, 8C, 9A, 10A, 11A, 14C, 15C, 16B, 16E, 19A and Duplex 20/21A, 20/21B, 20/21C and 20/21D	Vacant

At 31 December 2000, the investment properties were revalued by Landscape Surveyors Limited, independent professionally qualified valuers, at open market values based on their existing use.

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14. PROPERTIES UNDER DEVELOPMENT

	GROUP	
	2000	1999
	HKS'000	HKS'000
Balance at beginning of year	187,950	187,289
Exchange realignment	3,160	661
Balance at end of year	191,110	187,950

The properties under development are held under long term leases in the PRC.

Details of the properties under development at the balance sheet date were as follows:

Location	Use	Site area (sq.m.)	Gross floor area (sq.m.)	Stage of completion	Interest attributable to the Group
Lot 1-E, Lujiazui Finance and Trade Zone, Pudong District, Shanghai, The PRC	Commercial	10,321	60,000	Preliminary design stage completed	100%

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15. INTERESTS IN SUBSIDIARIES

	Company	
	2000 HK\$'000	1999 HK\$'000
Unlisted shares, at cost	196,552	244,459
Amounts due from subsidiaries	759,334	705,878
Amounts due to subsidiaries	(152,802)	(135,286)
	803,084	815,051
Provisions for diminutions in values	(48,882)	(61,000)
	754,202	754,051

Except for the amount due from C.T. Tianhe Ltd., the amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The amount due from C.T. Tianhe Ltd. of HK\$158,248,000 (1999: HK\$228,469,000) is unsecured, bears interest at the Hong Kong Prime Rate and has no specific terms of repayment.

Details of the Company's principal subsidiaries are as follows:

Name of company	Place of incorporation/ registration*	Issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			2000	1999	
Chia Tai Tianhe Investment Company Limited	Cayman Islands	US\$29,926,982	72.3**	93	Investment holding
Chia Tai Tianjin Real Estate Company Limited	British Virgin Islands	US\$10	100	100	Investment holding

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15. INTERESTS IN SUBSIDIARIES (continued)

Name of company	Place of incorporation/ registration*	Issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			2000	1999	
Creative Investment Limited	Hong Kong	HK\$2	100	100	Investment holding
Fortune (Shanghai) Limited	Cayman Islands	US\$150,000	70	70	Investment holding and property investment
Fortune World Limited	Cayman Islands	US\$100	100	100	Investment holding
Interwell Developments Limited	British Virgin Islands	US\$100	100	100	Investment holding
Shanghai Min Tai Real Estate Co., Ltd.***	PRC	US\$30,100,000	100	100	Property development
Yick Yuen Development Limited***	Hong Kong	HK\$20,000,000	100	100	Investment holding
Chia Tai Freewill Investment Company Limited****	Cayman Islands	US\$2	100	–	Investment holding
Chia Tai Trading Investment Co., Ltd.****	Cayman Islands	US\$2	100	–	Investment holding

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15. INTERESTS IN SUBSIDIARIES (continued)

- * All the subsidiaries operate in Hong Kong, except for those subsidiaries registered in the PRC which operate in their place of registration.
- ** 20.7% of equity interest was sold during the year.
- *** Indirectly held by the Company.
- **** Incorporated during the year.

The above summary lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	GROUP	
	2000	1999
	HK\$'000	HK\$'000
Share of net assets	389,152	396,480
Interest capitalised	39,557	39,557
	428,709	436,037
Amounts due to jointly-controlled entity	(19,709)	–
Amounts due from jointly-controlled entities	56	1,980
Loans to jointly-controlled entities	272,785	347,526
	681,841	785,543

The amounts due from/(to) jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

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16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

The loans to jointly-controlled entities include loans to Shanghai Fortune World Development Co., Ltd. and Grandview Enterprise Company Limited of HK\$139,126,000 (1999: HK\$132,980,000) and HK\$133,659,000 (1999: HK\$214,546,000), respectively. The loan to Shanghai Fortune World Development Co., Ltd. is unsecured, bears interest at 6.4% to 6.5% and has no fixed terms of repayment. The loan to Grandview Enterprise Company Limited is unsecured, interest-free and has no fixed terms of repayment.

Details of the principal jointly-controlled entities are as follows:

Name of company	Business structure	Place of registration and operation	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
Shanghai Fortune World Development Co., Ltd. ("Shanghai Fortune") (Note (a))	Corporate	PRC	35	35	35	Property development
Grandview Enterprise Company Limited ("Grandview") (Note (b))	Corporate	PRC	51	18	51	Property development
Tianjin Datian Real Estate Development Company Limited ("Tianjin Datian") (Note (c))	Corporate	PRC	57	55	57	Property development

The above summary lists the jointly-controlled entities of the Group which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other jointly-controlled entities would, in the opinion of the Directors, result in particulars of excessive length.

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16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Notes:

- (a) Shanghai Fortune was set up in the PRC under a joint venture agreement between Fortune (Shanghai) Limited and Shanghai Lujiazui Finance and Trade Zone Development Corporation, a company listed on the Shanghai Stock Exchange, to develop a site in the Pudong district of Shanghai, the PRC. The tenure of this joint venture is 88 years, commencing from 18 July 1992 with an option to seek the granting of a further extension by application to the relevant government authority.

A condensed summary of the results and of the assets and liabilities of Shanghai Fortune for the years ended 31 December 2000 and 1999, as extracted from the audited financial statements of Shanghai Fortune, is set out below:

	2000	1999
	HKS'000	HKS'000
Fixed assets	1,160	110,012
Long term investment	4	–
Land and properties under development	–	1,027,159
Current assets	1,201,137	96,676
Current liabilities	(924,848)	(1,066,929)
Net assets	277,453	166,918
Turnover	302,088	459,891
Profit for the year	2,301	33,205
Group's proportionate share of profit for the year	1,151	16,633

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16. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

- (b) Grandview was set up in the PRC under a joint venture agreement between C.T. Tianhe Ltd. and a PRC entity to develop a site in the Tianhe district of Guangzhou, the PRC. The tenure of this joint venture is 50 years, commencing from 2 December 1993 with an option to seek the granting of a further extension by application to the relevant government authority.
- (c) Tianjin Datian was set up in the PRC under a joint venture agreement between Chia Tai Tianjin Real Estate Company Limited ("Chia Tai Tianjin") and several entities incorporated in the PRC to develop a site in Tianjin, the PRC. The tenure of this joint venture is 70 years, commencing from 25 May 1994 with an option to seek the granting of a further extension by application to the relevant government authority.

On 2 November 2000, the shareholders of Chia Tai Tianjin signed an agreement with an independent third party for the disposal of 100% equity interest in Tianjin Datian, which is subject to the regulatory approval of the relevant authorities of the PRC Government.

17. INTERESTS IN ASSOCIATES

	GROUP	
	2000	1999
	HK\$'000	HK\$'000
Share of net liabilities, other than goodwill	(28,812)	(31,943)
Share of associated companies' unamortised goodwill	15,380	21,011
Goodwill arising on acquisition of an associate, net of amortisation	7,189	–
	(6,243)	(10,932)
Amount due from an associate	27,586	27,586
Loan to an associate	9,698	–
	31,041	16,654

The amount due from an associate is unsecured, interest-free and has no fixed terms of repayment.

The loan to an associate is unsecured, bears interest at 3% per annum and is repayable on 26 December 2001.

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17. INTERESTS IN ASSOCIATES (continued)

Details of the associates are as follows:

Name of company	Place of incorporation/ registration and operation	Percentage of equity attributable to the Group		Principal activities
		2000	1999	
Hualien Golf Development Limited	Hong Kong	50	50	Investment holding
Telan Hualien Holdings Limited ("Telan Hualien")	Hong Kong	50	50	Investment holding
Shenzhen SDG Golf Club Company Limited ("SDG")	PRC	24.5	24.5	Golf club operations
Kernel Computers and Communications Co., Ltd.*	Thailand	49	–	Information technology

* Acquired during the year

SDG was set up in the PRC under a joint venture agreement between Telan Hualien and a PRC entity to develop and operate a golf club in Shenzhen. The tenure of this joint venture is 30 years, commencing from 26 November 1985 with an option to seek the granting of a further extension by application to the relevant government authority. Under the joint venture agreement, the PRC partner is entitled to receive all of the assets of the joint venture upon expiry of the tenure. Accordingly, the cost of investment in SDG is amortised over the tenure of the joint venture on the basis of forecasted revenue. The Group's share of profits or losses earned by SDG is arrived at after deducting such amortisation.

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18. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Cash and bank balances	15,184	456	442	54
Time deposits	93,971	–	5,858	–
	109,155	456	6,300	54

19. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

The amounts due from related companies arise in the Group's and the Company's normal course of business activities and are unsecured, interest-free and have no fixed terms of repayment.

The amounts due to related companies are unsecured, bear interest at 7% to Hong Kong Prime Rate plus 1% per annum and have no fixed terms of repayment.

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20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	GROUP AND COMPANY	
	2000 HK\$'000	1999 HK\$'000
Bank loans repayable within one year, secured	93,600	93,252
Other loans repayable:		
Within one year, unsecured	–	7,771
In the second year, unsecured	187,986	–
	281,586	101,023
Portion classified as current liabilities	(93,600)	(101,023)
Long term portion	187,986	–

The secured bank loans are secured by the pledge of the following assets, which are owned by certain related companies:

- (a) Time deposits of Thai Baht 200,000,000 (HK\$41,600,000); and
- (b) A piece of land at Ampur Bangplee, Samutprakran, Thailand.

The other loans are unsecured and bear interest at 9.625% per annum and are repayable after 30 June 2003.

21. LOANS FROM RELATED COMPANIES

The loans from related companies are unsecured, bear interest at 9.625% to 10.625% per annum and have no fixed terms of repayment.

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22. TRADE DEBTORS AND CREDITORS

No credit period was given to trade debtors. As at 31 December 2000 and 1999, the Group had no outstanding balances with trade debtors and creditors.

23. DEFERRED TAX

The major components of the deferred tax asset not recognised in the financial statements are as follows:

	GROUP AND COMPANY	
	2000 HK\$'000	1999 HK\$'000
Tax losses	3,542	2,949
Accelerated capital allowances	1,301	–
	4,843	2,949

24. ISSUED CAPITAL

	2000 HK\$'000	1999 HK\$'000
Authorised:		
15,000,000,000 ordinary shares of HK\$0.02 each		
(1999: 1,200,000,000 ordinary shares of HK\$0.10 each)	300,000	120,000
Issued and fully paid:		
5,996,614,408 ordinary shares of HK\$0.02 each		
(1999: 813,131,667 ordinary shares of HK\$0.10 each)	119,932	81,313

Notes to Financial Statements (continued)

31 December 2000

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24. ISSUED CAPITAL (continued)

During the year, the following movements in the share capital were recorded:

- (a) On 24 February 2000 and 2 March 2000, 10,000,000 and 71,313,166 share options respectively, were exercised by the holders at a subscription price of HK\$0.154 per share. This resulted in the issue of 81,313,166 ordinary shares of par value HK\$0.10 each and aggregate cash proceeds of approximately HK\$12,522,000.
- (b) On 12 April 2000, an ordinary resolution of the Company was passed for the subdivision of the Company's shares from one ordinary share of HK\$0.10 each into 5 ordinary shares of HK\$0.02 each. On the same date, the Company increased its authorised share capital from HK\$120,000,000 to HK\$300,000,000 by the creation of an additional 9,000,000,000 ordinary shares of HK\$0.02 each.
- (c) On 12 April 2000, the Company issued for cash at par convertible notes in the principal amount of HK\$75,000,000 (the "Notes") to Ramon Limited. The Notes give the holder the right to convert the principal amount of the Notes at a conversion price of HK\$0.0492 each into fully paid ordinary shares of the Company of par value HK\$0.02 each. On 29 May 2000, the above Notes were all converted and resulted in the issue of 1,524,390,243 ordinary shares of the Company.

Share options

On 18 March 1994, the Company approved a share option scheme (the "Scheme") under which the Directors may, at their discretion, grant options to Directors and employees of the Company and its subsidiaries to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted may not exceed 10% of the share capital of the Company in issue from time to time. The Scheme will remain in force for the period from 18 March 1994 to 17 March 2004.

The 81,313,166 share options at beginning of the year were exercised during the year, and there were no outstanding share options at 31 December 2000.

Notes to Financial Statements (continued)

31 December 2000

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24. ISSUED CAPITAL (continued)

Warrants

During the year, a bonus issue of warrants was made in the proportion of one warrant for every ten shares held by members on the register of members on 13 June 2000 and 599,661,440 warrants were issued pursuant to the bonus issue. Each warrant entitles the holder to subscribe for one ordinary share of par value HK\$0.02 each at a subscription price of HK\$0.26 per share, payable in cash and subject to adjustment, from the date of issue to 12 June 2003.

No warrants were exercised during the year.

25. RESERVES

	Share premium	Reorganisation reserve *	General reserve	Investment properties revaluation reserve	Exchange equalisation reserve	Reserve fund #	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group:							
Balance at 1 January 1999	883,444	105,567	137	1,546	(8,384)	18,640	1,000,950
Deficit on revaluation	-	-	-	(1,546)	-	-	(1,546)
Exchange reserve arising on consolidation	-	-	-	-	1,831	-	1,831
Balance at 31 December 1999	883,444	105,567	137	-	(6,553)	18,640	1,001,235
Issue of shares	48,904	-	-	-	-	-	48,904
Share issue expenses	(660)	-	-	-	-	-	(660)
Exchange reserve arising on consolidation	-	-	-	-	367	-	367
Balance at 31 December 2000	931,688	105,567	137	-	(6,186)	18,640	1,049,846
Reserves retained by:							
Company and subsidiaries	931,688	105,567	137	-	5,718	-	1,043,110
Jointly-controlled entities	-	-	-	-	(11,904)	18,640	6,736
Balance at 31 December 2000	931,688	105,567	137	-	(6,186)	18,640	1,049,846

Notes to Financial Statements (continued)

31 December 2000

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25. RESERVES (continued)

- * The reorganisation reserve of the Group represents the excess amount of the net asset value as at 31 December 1990, of the Group's former listed holding company, Creative Investment Holdings Limited ("CIL"), over the nominal value of the Company's shares issued for the acquisition of a 100% equity interest in CIL, pursuant to a Scheme of Arrangement in 1991.
- # Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's jointly-controlled entities operating in the PRC has been transferred to reserve fund. The amounts of profits transferred to reserve fund are determined by the Board of Directors of these jointly-controlled entities. This fund is restricted as to use and is not available for distribution.

26. ACCUMULATED LOSSES

	GROUP	
	2000	1999
	HK\$'000	HK\$'000
Accumulated losses retained in:		
Company and subsidiaries	(525,170)	(484,821)
Jointly-controlled entities	(70,085)	(71,637)
Associates	(22,112)	(15,932)
	(617,367)	(572,390)

Notes to Financial Statements (continued)

31 December 2000

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

- (a) Reconciliation of loss from operating activities to net cash outflow from operating activities:

	2000	1999
	HKS'000	HKS'000
Loss from operating activities	(7,322)	(3,131)
Interest income	(5,580)	(4,170)
Depreciation	473	99
Amortisation of goodwill	3,595	–
Deficit on revaluation of investment properties	5,000	1,791
Gain on disposal of fixed assets	(43)	–
Release of post-acquisition losses on disposal of certain equity interests in a subsidiary	(10,178)	–
Changes in current assets and liabilities:		
Decrease/(Increase) in other debtors, prepayments and deposits	(1,493)	477
Decrease/(Increase) in amounts due from related companies	416	(406)
Increase in other creditors and accrued expenses	1,150	783
Increase in amounts due to related companies	–	258
Net cash outflow from operating activities	(13,982)	(4,299)

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Notes to Financial Statements (continued)

31 December 2000

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year:

	Share capital (including share premium) HK\$'000	Bank and other borrowings HK\$'000	Amounts due to related companies HK\$'000	Loans from related companies HK\$'000	Minority interests HK\$'000
Balance at 1 January 1999	964,757	264,945	42,542	35,779	122,833
Cash inflow/(outflow) from financing activities, net	-	(163,922)	(4,812)	189,877	153
Accrued interest	-	-	(591)	11,741	-
Share of profits for the year	-	-	-	-	3,188
Minority interests in share of reserves	-	-	-	-	(485)
Balance at 31 December 1999	964,757	101,023	37,139	237,397	125,689
Cash inflow/(outflow) from financing activities, net	86,863	(7,423)	316	(52,656)	(78)
Accrued interest	-	-	1,437	18,676	-
Transfer from/(to)	-	187,986	-	(187,986)	-
Arising from disposal of certain equity interests of subsidiary	-	-	-	-	25,110
Share of losses for the year	-	-	-	-	(1,805)
Minority interests in share of reserves	-	-	-	-	(1,668)
Balance at 31 December 2000	1,051,620	281,586	38,892	15,431	147,248

Notes to Financial Statements (continued)

31 December 2000

28. COMMITMENTS

(a) Capital commitments

At the balance sheet date, the Group's share of capital commitments of the jointly-controlled entities was as follows:

	GROUP	
	2000	1999
	HK\$'000	HK\$'000
Authorised and contracted for:		
Acquisition of land use rights	33,002	33,393
Preliminary development costs	11,248	11,849
	44,250	45,242

At the balance sheet date, the Company did not have any material capital commitments.

(b) Commitments under operating leases

At the balance sheet date, the Group and the Company had commitments under non-cancellable operating leases payable in the following years as follows:

	GROUP AND COMPANY	
	2000	1999
	HK\$'000	HK\$'000
Land and buildings expiring:		
Within one year	112	–
In the second to fifth years, inclusive	2,264	–
	2,376	–

Notes to Financial Statements (continued)

31 December 2000

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29. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the year:

		GROUP	
	<i>Notes</i>	2000	1999
		HK\$'000	HK\$'000
Interest expense paid to related companies	(a)	20,113	14,152
Interest expense on convertible notes paid to ultimate holding company	(b)	421	–
Rental expense in respect of land and buildings paid to a related company	(c)	153	262
Interest income received from a jointly-controlled entity	(d)	(4,415)	(3,201)
Rental income in respect of investment properties received from related companies	(e)	(1,281)	(911)
Management service income received from a related company	(f)	(120)	(120)
Bank loans secured by related companies	(g)	(93,600)	(93,252)

Notes:

- (a) The interest expense related to cash advances and loans from related companies, details of which are set out in notes 19 and 21.
- (b) The interest expense was calculated at 5% p.a.
- (c) The rental expense related to the Company's existing office in Hong Kong was calculated by reference to open market rentals.
- (d) The interest income was earned on the loan to Shanghai Fortune during the year, details of which are set out in note 16 to the financial statements.
- (e) The rental income was received from the leasing of the Group's investment properties to related companies for residential use and was calculated by reference to open market rentals.

Notes to Financial Statements (continued)

31 December 2000

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29. RELATED PARTY TRANSACTIONS (continued)

- (f) The management service income related to accounting services provided to related company and the charge was calculated on the time spent and the Company's total general and administration costs incurred.
- (g) The bank loans are secured by the pledged assets which are owned by certain related companies. The details are set out in note 20.

30. POST BALANCE SHEET EVENT

Pursuant to a Shares Sale and Purchase Agreement ("Agreement") dated 15 December 2000, a wholly-owned subsidiary of the Company, Chia Tai Freewill Investment Company Limited, agreed to lend to the Company's 49% owned associate, Kernel Computers and Communications Co., Ltd. ("Kernel"), in proportion to the subsidiary's equity interest in Kernel, for an aggregate amount of Thai Baht 137,200,000 at an interest rate of 3% per annum. On 27 December 2000, an amount of Thai Baht 53,000,000 had been drawdown, and the remaining balance of Thai Baht 84,200,000 was drawdown on 9 February 2001. Each tranche of the loan was repayable one year from the respective drawdown dates. This loan was used for the purpose of working capital in Kernel.

On 2 February 2001, Asia Freewill Co., Ltd. ("AFW") entered into a Shares Sale and Purchase Agreement to acquire a 31% equity interest in Kernel from independent third parties. The Company's Directors, Messrs Soopakij Chearavanont, Supachai Chearavanont and Chatchaval Jiaravanon, have beneficial interests in AFW.

Due to the above transaction by AFW, the second tranche of the loan granted to Kernel constituted a connected transaction in accordance with the Listing Rules. However, as the loan amount of Thai Baht 84,200,000 was less than 15% of the book value of the Group's net tangible assets, no press announcement was required.

On 7 March 2001, Chia Tai Trading Investment Co., Ltd., a wholly-owned subsidiary of the Company, entered into a joint venture agreement with an independent third party to set up a new jointly-controlled entity, Wuhan Chia Tai Trading Co., Ltd., in the PRC. The capital injection by the Group for this new jointly-controlled entity would amount to US\$4,030,000 and represent a 65% ownership interest.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 9 April 2001.