Notes to Financial Statements

1. CORPORATE DEVELOPMENT

The Group sustained a consolidated net loss from ordinary activities attributable to shareholders of HK$4,025,000 for the year ended 31st December, 2001 (2000: HK$44,977,000), and as at that date, the Group had accumulated losses of HK$621,392,000 (2000: HK$617,367,000) and net current liabilities of HK$110,583,000 (2000: HK$29,827,000).

The Company's short term interest-bearing bank loan of HK$93,600,000 had been rolled-over on a monthly basis during the year 2001, and the Directors believe that the bank will continue this monthly roll-over in the year 2002.

During the year, the Group entered into an agreement with a minority shareholder of an associate for the disposal of the associate (note 19) to the minority shareholder. A deposit of HK$4,682,000 was received on 28th December, 2001, and the remaining cash proceeds of approximately HK$65,543,000 was received after the balance sheet date on 22nd March, 2002.

On 1st July, 2000, the Group and the shareholders of Chia Tai Tianhe Investment Company Limited ("C.T. Tianhe") signed an agreement with an independent third party for the disposal of the whole of their equity interest in C.T. Tianhe. During the year 2001, the purchaser delayed the payment of consideration to the Group and the Company is still negotiating with the purchaser a revised schedule for the payment of the outstanding sale proceeds of approximately HK$117,000,000.

2. CORPORATE INFORMATION

The principal office of the Company is located at 53rd Floor, Bank of China Tower, 1 Garden Road, Hong Kong.

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

- property investment
- property development
- golf club operations
- development and sale of computer software
- operation of supermarket chain stores

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

31st December, 2001

Notes to Financial Statements (Continued)

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs and related interpretations are adopted for the first time by the Group for the current year's financial statements:

- SSAP 9 (Revised): Events after the balance sheet date
- SSAP 14 (Revised): Leases
- SSAP 26: Segment reporting
- SSAP 28: Provisions, contingent liabilities and contingent assets
- SSAP 30: Business combinations
- SSAP 31: Impairment of assets
- SSAP 32: Consolidated financial statements and accounting for investments in subsidiaries
- Interpretation 12: Business combinations – subsequent adjustment of fair values and goodwill initially reported

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, and has had no effect on amounts previously reported in prior year financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 32 to the financial statements.

Notes to Financial Statements (Continued)

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(continued)*

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 5 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. The adoption of this SSAP and the required additional disclosures have had no effect on the amounts previously reported in prior year financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. This SSAP requires the disclosure of goodwill in the non-current assets section of the balance sheet. It requires that goodwill is amortised to the profit and loss account over its estimated useful life. The adoption of the SSAP has had no significant impact on the preparation of these financial statements as the treatment of the goodwill on the acquisition of an associate in the prior year was in accordance with the SSAP's requirements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no impact on the preparation of these financial statements.

Notes to Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong SSAP, 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st December, 2001. 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 an associate represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition of an associate is recognised as an asset and is amortised on the straight-line basis over its estimated useful life of three years. Any unamortised goodwill is included in the carrying amount of interests in associates, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of an associate, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Notes to Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

(b) a jointly controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds less than 20% of a joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly controlled entities

A jointly controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity.

31st December, 2001

Notes to Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Jointly controlled entities *(continued)*

The Group's share of the post-acquisition results and reserves of jointly controlled entities are included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different from the Group's equity interest, the share of post-acquisition results of the jointly controlled entities is determined based on the agreed profit sharing ratio. 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, less any impairment losses.

The results of jointly controlled entities are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in jointly controlled entities are treated as long-term assets and are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly controlled entity, 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 are 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 impairment losses. Goodwill arising from the acquisition of associates, which was not previously eliminated against reserves, is included as part of the Group's interests in associates.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, an asset's recoverable amount is estimated. The asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

Notes to Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets *(continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment properties and construction in progress, are stated at cost less accumulated depreciation and any impairment losses. 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.

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	$33^1/_3$%
Furniture, fixtures and equipment	18% – $33^1/_3$%
Motor vehicles	15% – $33^1/_3$%

31st December, 2001

Notes to Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation *(continued)*

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.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

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, any rental income being negotiated at arm's length. 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.

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.

Properties under development

Properties under development are stated at cost less any impairment losses.

Inventories

Inventories, which represent merchandise held for resale, are stated at the lower of cost and net realisable value. Cost represents the invoiced cost of inventories and is determined on the weighted average basis. Net realisable value is based on estimated selling prices in the ordinary course of business less the estimated costs necessary to make the sale.

Notes to Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the 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 ruling 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 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.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for all its employees who are eligible to participate in the Scheme. The MPF Scheme has operated since 1st 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 MPF Scheme. The assets of the MPF 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 MPF Scheme.

31st December, 2001

Notes to Financial Statements (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefits scheme *(continued)*

The employees of the Group's subsidiaries operating in the PRC are required to participate in a central pension scheme operated by the local municipal government and the PRC subsidiaries are required to contribute 20%-25% of their payroll costs to the central pension 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) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(c) 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)

5. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 3 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the investment segment includes the Group's investment in and holding of long term investments;

(b) the property investment segment includes the Group's investment in residential premises for their rental income potential;

(c) the property development segment includes the Group's investment in land for development of commercial building;

(d) the retail segment includes the operation of supermarket chain stores; and

(e) the other segment comprises the computer software development and sale activities and the operation of a golf club.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

The Group's intersegment transactions relate solely to management service income, and the charge was calculated on the time spent and the Company's total general and administrative costs incurred.

31st December, 2001

Notes to Financial Statements (Continued)

5. SEGMENT INFORMATION *(continued)*

(a) Business segments

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's business segments.

Group	Investment		Property investment		Property development		Retail		Others		Eliminations		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:														
Sales to external customers	6,060	5,580	4,876	1,492	-	-	28,720	-	-	-	-	-	39,656	7,072
Intersegment sales	600	600	378	-	-	-	-	-	-	-	(978)	(600)	-	-
Other revenue	526	10,340	-	-	-	-	528	-	-	-	-	-	1,054	10,340
Total	7,186	16,520	5,254	1,492	-	-	29,248	-	-	-	(978)	(600)	40,710	17,412
Segment results*	875	(1,780)	(22,242)	(5,542)	-	-	(20,344)	-	-	-	-	-	(41,711)	(7,322)
Loss from operating activities													(41,711)	(7,322)
Finance costs													(19,166)	(32,523)
Share of profits/(losses) of:														
Jointly controlled entities	(11)	-	-	-	80,314	253	-	-	-	-	-	-	80,303	253
Associates	-	-	-	-	-	-	-	-	344	4,864	-	-	344	(4,864)
Profit/(Loss) before tax													19,770	(44,456)
Tax													(5,193)	(2,326)
Profit/(Loss) before minority interests													14,577	(46,782)
Minority interests													(18,602)	1,805
Net loss from ordinary activities attributable to shareholders													(4,025)	(44,977)

* For the year ended 31st December, 2000, revaluation deficit of HK$5,000,000 was included in the segment results of property investment.

Notes to Financial Statements (Continued)

5. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Group	Investment		Property investment		Property development		Retail		Others		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**10,914**	118,650	**80,338**	80,327	**194,329**	191,278	**72,380**	-	**-**	-	**357,961**	390,255
Interests in associates	**-**	-	**-**	-	**-**	-	**-**	-	**36,869**	31,041	**36,869**	31,041
Interests in jointly controlled entities	**8,389**	81,403	**-**	-	**658,304**	600,438	**-**	-	**-**	-	**666,693**	681,841
Total assets	**19,303**	200,053	**80,338**	80,327	**852,633**	791,716	**72,380**	-	**36,869**	31,041	**1,061,523**	1,103,137
Segment liabilities	**178,387**	245,575	**42,101**	63,974	**-**	-	**29,466**	-	**-**	-	**249,954**	309,549
Unallocated liabilities	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**94,234**	93,929
Total liabilities	**178,387**	245,575	**42,101**	63,974	**-**	-	**29,466**	-	**-**	-	**344,188**	403,478
Other segment information:												
Depreciation and amortisation	**1,821**	467	**523**	6	**-**	-	**-**	-	**-**	-	**2,344**	473
Impairment loss recognised in the profit and loss account	**2,950**	-	**-**	-	**-**	-	**-**	-	**-**	-	**2,950**	-
Deficit on revaluation of investment properties	**-**	-	**-**	5,000	**-**	-	**-**	-	**-**	-	**-**	5,000
Capital expenditure	**602**	5,189	**-**	-	**-**	-	**18,727**	-	**-**	-	**19,329**	5,189

31st December, 2001

Notes to Financial Statements (Continued)

5. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following tables present revenue, loss and certain asset and expenditure information for the Group's geographical segments.

Group	Hong Kong		Elsewhere in the PRC		Others		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**3,276**	1,030	**36,146**	6,038	**234**	4	**39,656**	7,072
Segment results	**(19,011)**	(2,106)	**(19,297)**	(1,624)	**(3,403)**	(3,592)	**(41,711)**	(7,322)
Other segment information:								
Segment assets	**9,389**	16,003	**1,026,652**	1,066,567	**25,482**	20,567	**1,061,523**	1,103,137
Capital expenditure	**282**	5,189	**19,047**	–	**–**	–	**19,329**	5,189

6. TURNOVER, REVENUE AND GAIN

Turnover represents the net invoiced value of goods, interest income and rental income, net of business and real estate taxes, received and receivable during the year.

An analysis of turnover, other revenue and gain is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Turnover:		
Sale of goods	**28,720**	–
Interest income	**6,060**	5,580
Gross rental income	**4,876**	1,492
	39,656	7,072
Other revenue and gain:		
Management service income	**164**	120
Release of post-acquisition losses on disposal of certain equity interest in a subsidiary	**–**	10,178
Others	**890**	42
	1,054	10,340

Notes to Financial Statements (Continued)

7. LOSS FROM OPERATING ACTIVITIES

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

	Group	
	2001	2000
	HK$'000	HK$'000
Cost of inventories sold	**26,302**	–
Auditors' remuneration	**585**	548
Depreciation	**2,344**	473
Deficit on revaluation of investment properties	**–**	5,000
Operating lease rentals in respect of land and buildings	**7,761**	1,473
Amortisation of goodwill*	**3,595**	3,595
Staff costs (excluding Directors' remuneration):		
Salaries	**12,709**	4,107
Pension contributions	**616**	11
	13,325	4,118
Gain on disposal of fixed assets	**–**	(43)
Exchange (gains)/losses, net	**79**	(323)
Impairment of an investment in a jointly controlled entity*	**2,950**	–
Net rental income	**(2,980)**	(851)

* The amortisation of goodwill for the year and the impairment of an investment in a jointly controlled entity are included in "Other operating expenses" on the face of the profit and loss account.

Notes to Financial Statements (Continued)

8. FINANCE COSTS

	Group 2001 HK$'000	Group 2000 HK$'000
Interest expense:		
Bank loans and overdrafts wholly repayable within five years	**6,781**	8,903
Further loans wholly repayable within five years:		
Loans from related companies	**2,438**	20,113
Other loans	**9,947**	3,086
Convertible notes	**–**	421
	19,166	32,523

9. DIRECTORS' REMUNERATION

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

	Executive Directors		Independent Non-Executive Directors	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
Fees	**–**	–	**240**	240
Other emoluments:				
Salaries, allowances and benefits in kind	**4,938**	1,658	**–**	–
	4,938	1,658	**240**	240

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

31st December, 2001

Notes to Financial Statements (Continued)

9. DIRECTORS' REMUNERATION *(continued)*

The number of Directors whose remuneration fell within the following bands is as follows:

	Number of Directors	
	2001	2000
Nil – HK$1,000,000	**9**	12
HK$1,500,001 – HK$2,000,000	**2**	1
	11	13

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2000: one) Directors, the details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2000: four) non-director, highest paid employees are as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,346**	1,532

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of Employees	
	2001	2000
Nil – HK$1,000,000	**2**	4
HK$1,000,001 – HK$1,500,000	**1**	–
	3	4

Notes to Financial Statements (Continued)

11. TAX

	Group	
	2001	2000
	HK$'000	HK$'000
Group:		
Provision for the year:		
Outside Hong Kong	**1,157**	1,010
Share of tax attributable to:		
Jointly controlled entities	**3,351**	–
Associates	**685**	1,316
Tax charge for the year	**5,193**	2,326

No provision for Hong Kong profits tax has been made as the Group had 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 countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31st December, 2001 dealt with in the financial statements of the Company is HK$34,849,000 (2000: HK$30,458,000).

13. 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$4,025,000 (2000: HK$44,977,000) and 5,996,614,000 (2000: the weighted average of 5,301,367,000) shares in the Company in issue during the year.

The diluted loss per share amount for the year ended 31st December, 2001 has not been disclosed as the warrants outstanding had an anti-dilutive effect on the basic loss per share for the year.

The diluted loss per share amount for the year ended 31st December, 2000 has not been disclosed as the warrants and share options outstanding had an anti-dilutive effect on the basic loss per share for that year.

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Notes to Financial Statements (Continued)

14. FIXED ASSETS

Group

	Construction in progress HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:					
At beginning of year	–	3,098	2,030	811	5,939
Exchange realignment	–	–	1	–	1
Additions	3,633	1,170	13,761	765	19,329
Disposals	–	–	(6)	–	(6)
At 31st December, 2001	3,633	4,268	15,786	1,576	25,263
Accumulated depreciation:					
At beginning of year	–	258	473	411	1,142
Exchange realignment	–	–	1	–	1
Provided during the year	–	1,050	1,088	206	2,344
Disposals	–	–	(6)	–	(6)
At 31st December, 2001	–	1,308	1,556	617	3,481
Net book value:					
At 31st December, 2001	3,633	2,960	14,230	959	21,782
At 31st December, 2000	–	2,840	1,557	400	4,797

Notes to Financial Statements (Continued)

14. 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	3,098	1,962	480	5,540
Additions	22	259	-	281
At 31st December, 2001	3,120	2,221	480	5,821
Accumulated depreciation:				
At beginning of year	258	411	80	749
Provided during the year	1,037	623	160	1,820
At 31st December, 2001	1,295	1,034	240	2,569
Net book value:				
At 31st December, 2001	1,825	1,187	240	3,252
At 31st December, 2000	2,840	1,551	400	4,791

31st December, 2001

Notes to Financial Statements (Continued)

15. INVESTMENT PROPERTIES

	Group 2001 HK$'000	2000 HK$'000
Balance at beginning of year	**80,000**	85,000
Deficit on revaluation	**–**	(5,000)
Balance at end of year	**80,000**	80,000

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, PRC	1B, 3B, 4B, 6B, 7B, 8B, 9B, 9D, 9E, 10A, 10B, 10D, 10E, 11A, 11D, 11E, 12B, 12D, 12E, 14A, 14B, 14C, 14D, 14E, 15B, 15C, 16B, 17B, 17E, 18A, 18C, 18E, 19E and Duplex 20/21A, 20/21B and 20/21D	Residential premises for rental
	2A, 2B, 2C, 2D, 2E, 3A, 3C, 3E, 4A, 4C, 4E, 5A, 5B, 5C, 5E, 6C, 6E, 7C, 8A, 8C, 9A, 15E, 16E, 19A and Duplex 20/21C	Vacant

At 31st December, 2001, the investment properties were revalued by Landscope Surveyors Limited, independent professionally qualified valuers, at open market values based on their existing use. The investment properties are leased to third parties under cancellable operating leases.

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Notes to Financial Statements (Continued)

16. PROPERTIES UNDER DEVELOPMENT

	Group 2001 HK$'000	Group 2000 HK$'000
Balance at beginning of year	**191,110**	187,950
Exchange realignment	**3,049**	3,160
Balance at end of year	**194,159**	191,110

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, PRC	Commercial	10,321	60,000	Preliminary design stage completed	100%

17. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK$'000	HK$'000
Unlisted shares, at cost	**196,552**	196,552
Due from subsidiaries	**835,959**	759,334
Due to subsidiaries	**(325,949)**	(152,802)
	706,562	803,084
Provision for impairment	**(51,318)**	(48,882)
	655,244	754,202

Except for the amount due from Chia Tai Tianhe Investment Company Limited ("C.T. Tianhe"), the amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The amount due from C.T. Tianhe of HK$248,021,000 (2000: HK$158,248,000) is unsecured, bears interest at the Hong Kong Prime Rate plus 0.5% per annum (2000: Hong Kong Prime Rate) and has no specific terms of repayment.

On 1st July, 2000, the Group and the shareholders of C.T. Tianhe signed an agreement with an independent third party for the disposal of the whole of their equity interest in C.T. Tianhe. During the year 2001, the purchaser delayed the payment of consideration to the Group and the Company is still negotiating with the purchaser a revised schedule for the payment of the outstanding sale proceeds of approximately HK$117,000,000.

Notes to Financial Statements (Continued)

17. INTERESTS IN SUBSIDIARIES *(continued)*

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

Name of company	Place of incorporation/ registration*	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Chia Tai Tianhe Investment Company Limited	Cayman Islands	US$29,926,982	**72.3**	72.3	Investment holding
Chia Tai Tianjin Real Estate Company Limited	British Virgin Islands	US$10	**100**	100	Investment holding
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**	100	Investment holding

Notes to Financial Statements (Continued)

17. INTERESTS IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation/ registration*	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Chia Tai Trading Investment Co., Ltd.	Cayman Islands	US$2	**100**	100	Investment holding
Wuhan Chia Tai Trading Co., Ltd.**/***	PRC	US$6,200,000	**65**	–	Operation of supermarket chain stores

* All of the subsidiaries operate in Hong Kong, except for those subsidiaries registered in the PRC which operate in the PRC.

** 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 for 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.

Notes to Financial Statements (Continued)

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2001	2000
	HK$'000	HK$'000
Share of net assets	**444,979**	389,152
Interest capitalised	**39,557**	39,557
	484,536	428,709
Loans to jointly controlled entities	**272,205**	272,785
Due from jointly controlled entities	**–**	56
Due to jointly controlled entity	**(87,098)**	(19,709)
	185,107	253,132
Provision for impairment	**(2,950)**	–
	666,693	681,841

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

The loans to jointly controlled entities include loans to Shanghai Fortune World Development Co., Ltd. and Grandview Enterprise Company Limited of HK$146,326,000 (2000: HK$139,126,000) and HK$125,879,000 (2000: HK$133,659,000), respectively. The loan to Shanghai Fortune World Development Co., Ltd. is unsecured, bears interest at rates ranging from 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.

31st December, 2001

Notes to Financial Statements (Continued)

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

Details of the principal jointly controlled entities are as follows:

Name of company	Business structure	Place of registration and operations	Percentage of ownership interest	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 for 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.

Notes to Financial Statements (Continued)

18. 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, PRC. The tenure of this joint venture is 88 years commencing from 18th July, 1992 with an option to seek the granting of an 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 31st December, 2001 and 2000, as extracted from the audited financial statements of Shanghai Fortune, is set out below:

	2001	2000
	HK$'000	HK$'000
Fixed assets	**946**	1,160
Long term investment	**8**	4
Current assets	**1,278,512**	1,201,137
Current liabilities	**(894,060)**	(924,848)
Net assets	**385,406**	277,453
Turnover	**237,777**	302,088
Profit for the year	**110,145**	2,301
Group's proportionate share of profit for the year	**55,073**	1,151
Realisation of deferred income	**22,070**	–
Total Group's proportionate share of profit for the year	**77,143**	1,151

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

31st December, 2001

Notes to Financial Statements (Continued)

19. INTERESTS IN ASSOCIATES

	Group 2001 HK$'000	Group 2000 HK$'000
Share of net liabilities, other than goodwill	**(860)**	(28,812)
Share of an associate's unamortised goodwill	**10,449**	15,380
Goodwill arising on the acquisition of an associate, net of amortisation	**3,594**	7,189
	13,183	(6,243)
Due from an associate	**23,686**	27,586
Loan to an associate	**–**	9,698
	36,869	31,041

An analysis of the amounts of the goodwill capitalised as an asset in the balance sheet, arising from the acquisition of an associate in the prior year, is as follows:

	Group 2001 HK$'000	Group 2000 HK$'000
Cost:		
At beginning of year	**10,784**	–
Arising from the acquisition of an associate	**–**	10,784
At end of year	**10,784**	10,784
Accumulated amortisation:		
At beginning of year	**3,595**	–
Provided during the year	**3,595**	3,595
At end of year	**7,190**	3,595
Net book value	**3,594**	7,189

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

Notes to Financial Statements (Continued)

19. INTERESTS IN ASSOCIATES *(continued)*

The loan to an associate was unsecured, bore interest at 3% per annum and was capitalised as an addition to the investment cost of an associate during the year.

Details of the associates are as follows:

Name of company	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group 2001	2000	Principal activities
Hualien Golf Development Limited ("HGDL")*	Corporate	Hong Kong	**50**	50	Investment holding
Telan Hualien Holdings Limited ("Telan Hualien")	Corporate	Hong Kong	**50**	50	Investment holding
Shenzhen SDG Golf Club Company Limited ("SDG")#	Corporate	PRC	**24.5**	24.5	Golf club operations
Freewill Solutions Co., Ltd. (Formerly "Kernel Computers and Communications Co., Ltd.")	Corporate	Thailand	**49**	49	Information technology

* On 28th December, 2001, Fortune World Limited, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with a minority shareholder of HGDL to dispose of its 50% equity interest in HGDL for a cash consideration of approximately HK$70,225,000. The transaction was completed on 22nd March, 2002.

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, PRC. The tenure of this joint venture is 30 years commencing from 26th November, 1985 with an option to seek the granting of an 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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Notes to Financial Statements (Continued)

20. INVENTORIES

	Group	
	2001	2000
	HK$'000	HK$'000
Merchandise	**26,670**	–

The carrying amount of inventories was carried at cost at the balance sheet date.

21. DUE FROM/TO RELATED COMPANIES

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

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**22,708**	15,184	**211**	442
Time deposits	**4,621**	93,971	**4,151**	5,858
	27,329	109,155	**4,362**	6,300

23. INTEREST-BEARING BANK LOAN

	Group and Company	
	2001	2000
	HK$'000	HK$'000
Bank loans repayable within one year, secured	**93,600**	93,600

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 (approximately HK$34,600,000); and

(b) a piece of land at Ampur Bangplee, Samutprakran, Thailand.

Notes to Financial Statements (Continued)

24. INTEREST-BEARING OTHER BORROWINGS

	Group and Company	
	2001	2000
	HK$'000	HK$'000
Other loans repayable in the second year, secured	**102,358**	187,986

The other loans are unsecured, bear interest at rates ranging from 5.10% to 9.625% per annum (2000: 9.625% per annum) and are repayable on or before 10th April, 2003.

25. LOANS FROM RELATED COMPANIES

The loans from related companies are unsecured, bear interest at rates ranging from 5.10% to 9.55% per annum (2000: 9.625% to 10.625% per annum) and have no fixed terms of repayment.

26. TRADE CREDITORS

An aging analysis of trade creditors as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Within 1 month	**15,759**	–
1 to 2 months	**5,300**	–
2 to 3 months	**2,883**	–
	23,942	–

31st December, 2001

Notes to Financial Statements (Continued)

27. DEFERRED TAX

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

	Group and Company	
	2001	2000
	HK$'000	HK$'000
Tax losses	**3,691**	3,542
Accelerated capital allowances	**22**	1,301
	3,713	4,843

28. SHARE CAPITAL

	Group and Company	
	2001	2000
	HK$'000	HK$'000
Authorised:		
15,000,000,000 ordinary shares of HK$0.02 each	**300,000**	300,000
Issued and fully paid:		
5,996,614,408 ordinary shares of HK$0.02 each	**119,932**	119,932

Warrants

During the year 2000, 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 13th 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 12th June, 2003.

No warrants were exercised during the year.

Notes to Financial Statements (Continued)

29. RESERVES

	Share premium HK$'000	Reorganisation reserve* HK$'000	General reserve HK$'000	Exchange equalisation reserve HK$'000	Reserve fund# HK$'000	Total HK$'000
Group:						
Balance at 1st January, 2000	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 31st December, 2000 and 1st January, 2001	931,688	105,567	137	(6,186)	18,640	1,049,846
Transfer from the profit for the year	–	–	–	–	270	270
Exchange reserve arising on consolidation	–	–	–	5,369	–	5,369
Balance at 31st December, 2001	931,688	105,567	137	(817)	18,910	1,055,485
Reserves retained by:						
Company and subsidiaries	931,688	105,567	137	7,284	–	1,044,676
Jointly controlled entities	–	–	–	(8,093)	18,910	10,817
Associates	–	–	–	(8)	–	(8)
Balance at 31st December, 2001	931,688	105,567	137	(817)	18,910	1,055,485
Company and subsidiaries	931,688	105,567	137	5,718	–	1,043,110
Jointly controlled entities	–	–	–	(11,904)	18,640	6,736
Balance at 31st December, 2000	931,688	105,567	137	(6,186)	18,640	1,049,846

31st December, 2001

Notes to Financial Statements (Continued)

29. RESERVES *(continued)*

* The reorganisation reserve of the Group represents the excess amount of the net asset values as at 31st 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 the 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 are transferred to the reserve fund. The amounts of profits transferred to the 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.

30. ACCUMULATED LOSSES

	Group	
	2001	2000
	HK$'000	HK$'000
Retained profits/(Accumulated losses) retained in:		
Company and subsidiaries	**(605,806)**	(525,170)
Jointly controlled entities	**6,867**	(70,085)
Associates	**(22,453)**	(22,112)
	(621,392)	(617,367)

31st December, 2001

Notes to Financial Statements (Continued)

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001 HK$'000	2000 HK$'000
Loss from operating activities	**(41,711)**	(7,322)
Interest income	**(6,060)**	(5,580)
Depreciation	**2,344**	473
Amortisation of goodwill	**3,595**	3,595
Impairment of an investment in a jointly controlled entity	**2,950**	–
Deficit on revaluation of investment properties	–	5,000
Gain on disposal of fixed assets	**–**	(43)
Release of post-acquisition losses on disposal of certain equity interest in a subsidiary	**–**	(10,178)
Changes in current assets and liabilities:		
Increase in other debtors, prepayments and deposits	**(1,197)**	(1,493)
Increase in inventories	**(26,670)**	–
Decrease/(Increase) in amounts due from related companies	**(1,631)**	416
Increase in trade creditors	**23,942**	–
Increase in other creditors and accrued expenses	**2,893**	1,150
Decrease in an amount due to the ultimate holding company	**(107)**	–
Net cash outflow from operating activities	**(41,652)**	(13,982)

31st December, 2001

Notes to Financial Statements (Continued)

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the year

	Issued capital (including share premium) HK$'000	Interest-bearing bank loan and other borrowings HK$'000	Due to related companies HK$'000	Loans from related companies HK$'000	Minority interests HK$'000
Balance at 1st January, 2000	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 interest of subsidiary	–	–	–	–	25,110
Share of losses for the year	–	–	–	–	(1,805)
Minority interests share of reserves	–	–	–	–	(1,668)
Balance at 31st December, 2000	1,051,620	281,586	38,892	15,431	147,248
Cash inflow/(outflow) from financing activities, net	–	(85,628)	1,412	–	(3,668)
Accrued interest	–	–	1,292	1,080	–
Transfer from/(to)	–	–	(18,900)	18,900	–
Share of losses for the year	–	–	–	–	18,602
Minority interests share of reserves	–	–	–	–	1,128
Balance at 31st December, 2001	1,051,620	195,958	22,696	35,411	163,310

32. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties and stores under operating lease arrangements. The lease term for properties are 3 years, and leases for stores are negotiated for terms ranging from 6 months to 30 years.

At 31st December, 2001, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(restated)		(restated)
Within one year	**7,561**	2,377	**2,264**	2,377
In the second to fifth years, inclusive	**21,044**	3,207	**943**	3,207
	28,605	5,584	**3,207**	5,584

SSAP 14 (Revised) requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee have been restated to accord with the current year's presentation.

31st December, 2001

Notes to Financial Statements (Continued)

33. COMMITMENTS

In addition to the operating lease commitments detailed in noted 32 above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2001	2000
	HK$'000	HK$'000
Capital contributions payable to a subsidiary	**2,886**	–
Authorised and contracted for leasehold improvements	**3,755**	–
	6,641	–

In addition, the Group's share of the jointly controlled entities' own capital commitments is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Authorised and contracted for:		
Acquisition of land use rights	**33,002**	33,002
Preliminary development costs	**11,248**	11,248
	44,250	44,250

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

Notes to Financial Statements (Continued)

34. RELATED PARTY TRANSACTIONS

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

		Group	
		2001	2000
	Notes	**HK$'000**	HK$'000
Interest expense paid to related companies	(a)	**2,438**	20,113
Interest expense on convertible notes paid to the holding company	(b)	**–**	421
Interest income received from a jointly controlled entity	(c)	**(2,983)**	(4,415)
Rental income in respect of investment properties received from related companies	(d)	**(2,897)**	(1,281)
Purchases of fixed assets from related companies	(e)	**4,263**	–
Purchases of merchandises from related companies	(f)	**29,009**	–

As disclosed in the consolidated balance sheet, the Group had outstanding amount due to the ultimate holding company of HK$314,000 (2000: HK$421,000), as at the balance sheet date. The amount due to the ultimate holding company is unsecured, interest-free and has no fixed terms of repayment.

Details of the Group's loan to jointly controlled entities and associates as at the balance sheet date are included in notes 18 and 19 to the financial statements, respectively.

In addition, the Company's bank loan is secured by certain assets which are owned by certain related companies. The details of which are set out in note 23.

Notes to Financial Statements (Continued)

34. RELATED PARTY TRANSACTIONS *(continued)*

Notes:

(a) The interest expense related to cash advances and loans from related companies, details of which are set out in notes 21 and 25 to the financial statements.

(b) The interest expense was calculated at 5% per annum.

(c) The interest income was earned on the loan to Shanghai Fortune during the year, details of which are set out in note 18 to the financial statements.

(d) 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.

(e) The fixed assets were purchased at their net book value amounts.

(f) The Directors consider that the purchases of merchandises were made according to the published price and condition similar to those offered to the major customers of the suppliers.

35. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the presentation and disclosure of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, the comparative amounts in note 32 to the financial statements have been reclassified to conform with the current year's presentation.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 9th April, 2002.