1. 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
- the development and sale of computer software
- the operation of supermarket chain stores
- golf club operations

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

2. IMPACT OF NEW/REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs are effective for the first time for the current year's financial statements:

SSAP 1 (Revised):	"Presentation of financial statements"
SSAP 11 (Revised):	"Foreign currency translation"
SSAP 15 (Revised):	"Cash flow statements"
SSAP 34:	"Employee benefits"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amount disclosed in these financial statements of adopting these SSAPs which have had a significant effect on the financial statements are summarised as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented on page 24 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group reserves note.

31st December, 2002

2. IMPACT OF NEW/REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (Continued)

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency translations and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss account of overseas subsidiaries, jointly-controlled entities and associates are now translated to Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 (Revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date. Further details of these changes that have resulted from them are included in the accounting policy for "Foreign Currencies" in note 3 and at note 31(a) to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits. In addition, disclosures are now required in respect of the Company's share option scheme, as detailed in note 29 to the financial statements. These share option scheme disclosures are similar to the Listing Rules disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong SSAPs, 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, 2002. 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 is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of three years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, 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.

31st December, 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries, represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint venture companies (Continued)

The joint venture agreement between the ventures 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, directly or indirectly, over the joint venture company;

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

(c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, 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, directly or indirectly, less than 20% of 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, 2002

3. 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 is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different to 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 interest 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 joint-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 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 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.

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, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated at the higher of the asset's value in use or its net selling price.

3. 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, 2002

3. 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 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.

3. 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 exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates 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 using the net investment method. The profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange equalisation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Foreign currencies (Continued)

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates and the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchange rates at the balance sheet date. These changes have had no material effect on the financial statements.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Hong Kong Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, at the balance sheet date, in order to be eligible for long service payments under the Hong Kong Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Pension scheme and other retirement benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the Scheme. 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 administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a defined contribution central pension scheme operated by the local municipal government. The PRC subsidiaries are required to contribute 20%–25% of their payroll costs to the central pension scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

31st December, 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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 and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

4. SEGMENT INFORMATION

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

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

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

(d) the others 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, 2002

4. SEGMENT INFORMATION (Continued)

(a) Business segments

The following table presents revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group

	Property investment		Property development		Retail		Others		Eliminations		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
	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:												
Revenue from external parties	**3,989**	4,876	**-**	–	**86,724**	28,720	**-**	–	**-**	–	**90,713**	33,596
Intersegment service income	**398**	378	**-**	–	**-**	–	**-**	–	**(398)**	(378)	**-**	–
Other revenue and gains	**-**	–	**69,086**	–	**284**	528	**58,766**	–	**-**	–	**128,136**	528
Total	**4,387**	5,254	**69,086**	–	**87,008**	29,248	**58,766**	–	**(398)**	(378)	**218,849**	34,124
Segment results	**(5,247)**	(22,242)	**69,086**	–	**(32,672)**	(20,344)	**58,766**	–	**-**	–	**89,933**	(42,586)
Interest and unallocated gains											**11,959**	6,586
Unallocated expenses											**(36,220)**	(5,711)
Profit/(Loss) from operating activities											**65,672**	(41,711)
Finance costs											**(6,760)**	(19,166)
Share of profits/(losses) of:												
Jointly-controlled entities	**-**	–	**84,196**	80,314	**-**	–	**(1)**	(11)	**-**	–	**84,195**	80,303
Associates	**-**	–	**-**	–	**-**	–	**(10,811)**	344	**-**	–	**(10,811)**	344
Profit before tax											**132,296**	19,770
Tax											**(6,290)**	(5,193)
Profit before minority interests											**126,006**	14,577
Minority interests											**(20,759)**	(18,602)
Net profit/(loss) from ordinary activities attributable to shareholders											**105,247**	(4,025)

31st December, 2002

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Group	Property investment 2002 HK$'000	Property investment 2001 HK$'000	Property development 2002 HK$'000	Property development 2001 HK$'000	Retail 2002 HK$'000	Retail 2001 HK$'000	Others 2002 HK$'000	Others 2001 HK$'000	Consolidated 2002 HK$'000	Consolidated 2001 HK$'000
Segment assets	**133,500**	80,338	**295**	194,329	**109,456**	72,380	**-**	–	**243,251**	347,047
Interests in associates	**-**	–	**-**	–	**-**	–	**18,847**	36,869	**18,847**	36,869
Interests in jointly-controlled entities	**-**	–	**360,427**	658,304	**-**	–	**-**	–	**360,427**	658,304
Unallocated assets									**280,399**	19,303
Total assets	**133,500**	80,338	**360,722**	852,633	**109,456**	72,380	**18,847**	36,869	**902,924**	1,061,523
Segment liabilities	**8,952**	42,101	**-**	–	**57,349**	29,466	**-**	–	**66,301**	71,567
Unallocated liabilities									**19,907**	272,621
Total liabilities	**8,952**	42,101	**-**	–	**57,349**	29,466	**-**	–	**86,208**	344,188
Other segment information:										
Depreciation	**17**	523	**-**	–	**2,351**	–	**-**	–	**2,368**	523
Unallocated amounts									**2,023**	1,821
									4,391	2,344
Goodwill amortisation	**-**	–	**-**	–	**-**	–	**3,594**	3,595	**3,594**	3,595
Impairment loss recognised in the profit and loss account	**-**	–	**-**	–	**-**	–	**-**	–	**-**	–
Unallocated amounts									**-**	2,950
									-	2,950
Deficit on revaluation of investment properties	**2,860**	–	**-**	–	**-**	–	**-**	–	**2,860**	–
Capital expenditure	**-**	–	**-**	–	**30,676**	18,727	**-**	–	**30,676**	18,727
Unallocated amounts									**2,342**	602
									33,018	19,329

31st December, 2002

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following table presents revenue, asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		The Mainland PRC		Others		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Revenue from external parties	**2,993**	3,276	**90,006**	36,146	**-**	234	**92,999**	39,656
Segment results	**(19,560)**	(19,011)	**88,827**	(19,297)	**(3,595)**	(3,403)	**65,672**	(41,711)
Other segment information:								
Segment assets	**90,382**	9,389	**793,695**	1,026,652	**18,847**	25,482	**902,924**	1,061,523
Capital expenditure	**2,625**	282	**30,393**	19,047	**-**	–	**33,018**	19,329

5. TURNOVER, OTHER REVENUE AND GAINS

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 gains is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Turnover:		
Sale of goods	**86,724**	28,720
Interest income	**2,285**	6,060
Gross rental income	**3,990**	4,876
	92,999	39,656
Other revenue and gains:		
Management service income	**205**	164
Gain on disposal of subsidiaries	**69,086**	–
Gain on disposal of associates	**58,766**	–
Waiver of amounts due to related companies	**3,581**	–
Negative goodwill recognised as income	**5,490**	–
Others	**681**	890
	137,809	1,054

31st December, 2002

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Group	
	2002	2001
	HK$'000	HK$'000
Cost of inventories sold	**80,666**	26,302
Auditors' remuneration	**541**	585
Depreciation	**4,391**	2,344
Operating lease rentals in respect of land and buildings	**12,187**	7,761
Amortisation of goodwill*	**3,594**	3,595
Staff costs (excluding directors' remuneration):		
Salaries	**17,160**	12,709
Pension contributions	**818**	616
	17,978	13,325
Loss on disposal of investment properties	**289**	–
Exchange losses, net	**1,209**	79
Impairment of an investment in a jointly-controlled entity*	**–**	2,950
Deficit on revaluation of investment properties	**2,860**	–
Write off of interest receivable from a jointly-controlled entity	**2,754**	–
Net rental income	**(2,457)**	(2,980)

* 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.

31st December, 2002

7. FINANCE COSTS

	Group	
	2002	2001
	HK$'000	HK$'000
Interest expense:		
Bank loans and overdrafts wholly repayable within five years	**3,483**	6,781
Further loans wholly repayable within five years:		
Loans from related companies	**1,033**	2,438
Other loans	**2,244**	9,947
	6,760	19,166

8. DIRECTORS' REMUNERATION

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

	Group			
	Executive Directors		Independent Non-Executive Directors	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Fees	**–**	–	**240**	240
Other emoluments:				
Salaries, allowances and benefits in kind	**5,731**	4,938	**–**	–
	5,731	4,938	**240**	240

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

31st December, 2002

8. DIRECTORS' REMUNERATION (Continued)

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

	Number of Directors	
	2002	2001
Nil – HK$1,000,000	**8**	9
HK$1,500,001 – HK$2,000,000	**–**	2
HK$2,000,001 – HK$2,500,000	**1**	–
HK$3,000,001 – HK$3,500,000	**1**	–
	10	11

During the year, 479,729,152 share options were granted to the Directors in respect of their services to the Group, further details of which are set out in note 29 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above Directors' remuneration disclosures.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2001: two) Directors, the details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2001: three) Non-Director, highest paid employees are as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,440**	2,346

9. FIVE HIGHEST PAID EMPLOYEES (Continued)

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

	Number of Employees	
	2002	2001
Nil – HK$1,000,000	**1**	2
HK$1,000,001 – HK$1,500,000	**2**	1
	3	3

During the year, no share options was granted to the three Non-Director, highest paid employees of the Group.

10. TAX

	Group	
	2002	2001
	HK$'000	HK$'000
Group:		
Provision for the year:		
Outside Hong Kong	**65**	1,157
Share of tax attributable to:		
Jointly-controlled entities	**6,225**	3,351
Associates	**–**	685
Tax charge for the year	**6,290**	5,193

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.

31st December, 2002

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31st December, 2002 dealt with in the financial statements of the Company is HK$15,778,000 (2001: HK$34,849,000).

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit/(loss) from ordinary activities attributable to shareholders for the year of HK$105,247,000 (2001: net loss of HK$4,025,000) and the weighted average of 5,996,614,408 (2001: 5,996,614,000) shares in the Company in issue during the year.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$105,247,000, and the weighted average number of ordinary shares used in the calculation are the 5,996,614,408 ordinary shares in issue during the year, as used in the basic earnings per share calculation, plus the weighted average of 178,635,354 ordinary shares assumed to have been issued at nil consideration on the deemed exercise of all share options outstanding during the year.

The outstanding warrants have an anti-dilutive effect for the calculation of diluted earnings per share for the year ended 31st December, 2002.

The diluted loss per share amounts for the year ended 31st December, 2001 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.

31st December, 2002

13. 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	3,633	4,268	15,786	1,576	25,263
Additions	27,333	343	3,862	1,480	33,018
Transfers	(26,581)	9,169	16,841	571	–
Realisation on disposal of subsidiaries	–	–	(64)	–	(64)
Disposals	–	–	(316)	–	(316)
At 31st December, 2002	4,385	13,780	36,109	3,627	57,901
Accumulated depreciation:					
At beginning of year	–	1,308	1,556	617	3,481
Provided during the year	–	1,142	2,900	349	4,391
Realisation on disposal of subsidiaries	–	–	(62)	–	(62)
Disposals	–	–	(62)	–	(62)
At 31st December, 2002	–	2,450	4,332	966	7,748
Net book value:					
At 31st December, 2002	4,385	11,330	31,777	2,661	50,153
At 31st December, 2001	3,633	2,960	14,230	959	21,782

31st December, 2002

13. FIXED ASSETS (Continued)

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:				
At beginning of year	3,120	2,221	480	5,821
Additions	144	862	1,619	2,625
At 31st December, 2002	3,264	3,083	2,099	8,446
Accumulated depreciation:				
At beginning of year	1,295	1,034	240	2,569
Provided during the year	1,055	721	247	2,023
At 31st December, 2002	2,350	1,755	487	4,592
Net book value:				
At 31st December, 2002	914	1,328	1,612	3,854
At 31st December, 2001	1,825	1,187	240	3,252

14. INVESTMENT PROPERTIES

	Group	
	2002	2001
	HK$'000	HK$'000
Balance at beginning of year	**80,000**	80,000
Disposals	**(2,140)**	–
Deficit on revaluation	**(2,860)**	–
Balance at end of year	**75,000**	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	3A, 3B, 3C, 3E, 4A, 4B, 4C, 4E, 5B, 5C, 5E, 7B, 8B, 8C, 9B, 9E, 10A, 10B, 10D, 10E, 11A, 11D, 11E, 12B, 12D, 12E, 14A, 14B, 14C, 14D, 14E, 15B, 16B, 17B, 17E, 18A, 18E, 19E, and Duplex 20/21A, 20/21B and 20/21D	Residential premises for rental
	2A, 2B, 2C, 2D, 2E, 5A, 6B, 6C, 7C, 8A, 9A, 9D, 15C, 15E, 16E, 18C, 19A, and Duplex 20/21C	Vacant

At 31st December, 2002, 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.

31st December, 2002

15. NEGATIVE GOODWILL

The amounts of the negative goodwill recognised in the balance sheet, arising from the acquisition of certain equity interest in a subsidiary, is as follows:

	Group
	2002
	HK$'000
Cost:	
Acquisition of an additional 5% equity interest in a subsidiary and at 31st December, 2002	**9,240**
Recognition as income:	
Recognised as income during the year and at 31st December, 2002	**5,490**
Net book value:	
At 31st December, 2002	**3,750**

16. PROPERTIES UNDER DEVELOPMENT

	Group	
	2002	2001
	HK$'000	HK$'000
Balance at beginning of year	**194,159**	191,110
Exchange realignment	**–**	3,049
Realisation on disposal of subsidiaries	**(194,159)**	–
Balance at end of year	**–**	194,159

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

16. PROPERTIES UNDER DEVELOPMENT (Continued)

Details of the properties under development at 31st December, 2001 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

	Group	
	2002	2001
	HK$'000	HK$'000
Unlisted shares, at cost	**187,177**	196,552
Due from subsidiaries	**275,733**	835,959
Due to subsidiaries	**(233,588)**	(325,949)
	229,322	706,562
Provision for impairment	**(83,189)**	(51,318)
	146,133	655,244

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 nil (2001: HK$248,021,000) is unsecured, bears interest at the Hong Kong Prime Rate plus 0.5% per annum (2001: Hong Kong Prime Rate plus 0.5 per annum) and has no specific terms of repayment.

31st December, 2002

17. INTERESTS IN SUBSIDIARIES (Continued)

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 a 100% equity interest in C.T. Tianhe. Due to the delay of payment of the consideration to the Group and the cash injection into the jointly-controlled entity held by C.T. Tianhe, the Company has therefore negotiated and rescheduled the payment date with the purchaser. The total proceeds of approximately HK$237,790,000 are receivable during 2003. Subsequent to the balance sheet date, the Group received HK$52,000,000.

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		Principal activities
			2002	2001	
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
Fortune (Shanghai) Limited	Cayman Islands	US$150,000	**75**	70	Investment holding and property investment
Fortune World Limited	Cayman Islands	US$100	**100**	100	Investment holding
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**	65	Operation of large scale cash-and-carry warehouse stores

31st December, 2002

17. INTERESTS IN SUBSIDIARIES (Continued)

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

** Indirectly held by the Company and classified as a contractual joint venture under the PRC law.

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.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2002	2001
	HK$'000	HK$'000
Share of net assets	**488,138**	444,979
Interest capitalised	**39,557**	39,557
	527,695	484,536
Loans to jointly-controlled entities	**79,037**	272,205
Due to jointly-controlled entities	**(217,091)**	(87,098)
	(138,054)	185,107
Provision for impairment	**(2,950)**	(2,950)
	386,691	666,693

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

31st December, 2002

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

The loans to jointly-controlled entities include loans to Shanghai Fortune World Development Co., Ltd., Tianjin Datian Real Estate Development Company Limited and Grandview Enterprise Company Limited of HK$48,821,000 (2001: HK$146,326,000), HK$30,216,000 (2001: nil) and nil (2001: HK$125,879,000), respectively. The loan to Shanghai Fortune World Development Co., Ltd. is unsecured, bears interest at 3.1% (2001: ranging from 6.4% to 6.5%) and has no fixed terms of repayment. The loans to Tianjin Datian Real Estate Development Company Limited and Grandview Enterprise Company Limited are unsecured, interest-free and have no fixed terms of repayment.

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

Name of company	Business structure	Place of registration and operations	Percentage of ownership interest	Percentage of voting power	Percentage of profit sharing	Principal activities
Shanghai Fortune World Development Co., Ltd. ("Shanghai Fortune") (Note (a))	Corporate	PRC	37.5	37.5	37.5	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

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

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:

(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, 2002 and 2001, as extracted from the audited financial statements of Shanghai Fortune, is set out below:

	2002	2001
	HK$'000	HK$'000
Fixed assets	**917**	946
Long term investment	**5**	8
Current assets	**1,210,190**	1,278,512
Current liabilities	**(736,556)**	(894,060)
Net assets	**474,556**	385,406
Turnover	**417,699**	237,777
Profit for the year	**89,152**	110,145
Group's proportionate share of profit for the year	**44,576**	55,073
Realisation of deferred income	**33,816**	22,070
Total Group's proportionate share of profit for the year	**78,392**	77,143

31st December, 2002

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

(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.

19. INTERESTS IN ASSOCIATES

	Group	
	2002	2001
	HK$'000	HK$'000
Share of net assets/(liabilities), other than goodwill	**18,847**	(860)
Share of an associate's unamortised goodwill	**–**	10,449
Goodwill arising on the acquisition of an associate, net of amortisation	**–**	3,594
	18,847	13,183
Due from an associate	**–**	23,686
	18,847	36,869

31st December, 2002

19. INTERESTS IN ASSOCIATES (Continued)

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, are as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Cost:		
At beginning of year and at end of year	**10,784**	10,784
Accumulated amortisation:		
At beginning of year	**7,190**	3,595
Provided during the year	**3,594**	3,595
At end of year	**10,784**	7,190
Net book value	**–**	3,594

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

Details of an associate are as follows:

Name of company	**Business structure**	**Place of incorporation/ registration and operations**	**Percentage of equity attributable to the Group**		**Principal activities**
			2002	2001	
Freewill Solutions Co., Ltd.	Corporate	Thailand	**49**	49	Information technology

31st December, 2002

20. INVENTORIES

	Group	
	2002	2001
	HK$'000	HK$'000
Merchandise	**25,452**	26,670

The carrying amount of inventories is 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, and are unsecured, interest-free and have no fixed terms of repayment.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**190,669**	22,708	**162,910**	211
Time deposits	**141,213**	4,621	**83,953**	4,151
	331,882	27,329	**246,863**	4,362

23. INTEREST-BEARING BANK LOAN

	Group and Company	
	2002	2001
	HK$'000	HK$'000
Bank loan repayable within one year, secured	**–**	93,600

The bank loan at 31st December, 2001 was secured by the pledge of the following assets, which were 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.

31st December, 2002

24. INTEREST-BEARING OTHER BORROWINGS

	Group and Company	
	2002	2001
	HK$'000	HK$'000
Other borrowings repayable in the second year, secured	**–**	102,358

The other borrowings at 31st December, 2001 were unsecured, bore interest at rates ranging from 4.84% to 4.88% (2001: 5.10% to 9.625%) per annum and were fully repaid during the year 2002.

25. LOANS FROM RELATED COMPANIES

The loans from related companies at 31st December, 2001 were unsecured, bore interest at rates ranging from 4.84% to 7.00% (2001: 5.10% to 9.55%) per annum and were fully repaid during the year 2002.

26. TRADE CREDITORS

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

	Group	
	2002	2001
	HK$'000	HK$'000
Within 1 month	**2,611**	15,759
1 to 2 months	**10,961**	5,300
2 to 3 months	**11,864**	2,883
Over 3 months	**4,530**	–
	29,966	23,942

31st December, 2002

27. DEFERRED TAX

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

	Group and Company	
	2002	2001
	HK$'000	HK$'000
Tax losses	**3,802**	3,691
Accelerated capital allowances	**34**	22
	3,836	3,713

28. SHARE CAPITAL

Share

	Group and Company	
	2002	2001
	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

No warrants were exercised during the year. At 31st December, 2002, the Company had 599,661,440 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 599,661,440 additional shares of HK$0.02 each.

Share option scheme

Details of the Company's share option scheme and the share options issued under the scheme are included in note 29 to the financial statements.

29. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, the detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The basis of eligibility of any of the eligible persons to the grant of options shall be determined by the Board of Directors from time to time on the basis of their contribution or potential contribution to the development and growth of the Group. The Scheme became effective on 31st May, 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at the date of approval of the Scheme. At 31st December, 2002, no share was issued under the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the Independent Non-Executive Directors. In addition, any share options granted to a substantial shareholder or an Independent Non-Executive Director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

31st December, 2002

29. SHARE OPTION SCHEME (Continued)

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$10 in total by the grantee. The exercise period of the share options granted is determinable by the Board of Directors, which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the Board of Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and iii) the nominal value of the share.

Share options do not confer rights on the holders to dividends or to vote at shareholder meetings.

29. SHARE OPTION SCHEME (Continued)

The following share options granted were outstanding under the Scheme during the year:

Name or category of participants	Number of Share Options: At 1st January, 2002	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	At 31st December, 2002	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK$	Closing price immediately before the date which options were granted ** HK$
Directors										
Soopakij Chearavanont	–	59,966,144	–	–	–	59,966,144	6th June, 2002	6th June, 2002 to 5th June, 2012	0.070	0.071
Tse Ping	–	59,966,144	–	–	–	59,966,144	6th June, 2002	6th June, 2002 to 5th June, 2012	0.070	0.071
Narong Chearavanont	–	59,966,144	–	–	–	59,966,144	6th June, 2002	6th June, 2002 to 5th June, 2012	0.070	0.071
Supachai Chearavanont	–	59,966,144	–	–	–	59,966,144	6th June, 2002	6th June, 2002 to 5th June, 2012	0.070	0.071
Chatchaval Jiaravanon	–	59,966,144	–	–	–	59,966,144	6th June, 2002	6th June, 2002 to 5th June, 2012	0.070	0.071
Kachorn Chiaravanont	–	59,966,144	–	–	–	59,966,144	6th June, 2002	6th June, 2002 to 5th June, 2012	0.070	0.071
Yang Xiaoping	–	59,966,144	–	–	–	59,966,144	6th June, 2002	6th June, 2002 to 5th June, 2012	0.070	0.071
Robert Ping-Hsien Ho	–	59,966,144	–	–	–	59,966,144	6th June, 2002	6th June, 2002 to 5th June, 2012	0.070	0.071
	–	479,729,152	–	–	–	479,729,152				
Other employees	–	119,932,288	–	–	–	119,932,288	6th June, 2002	6th June, 2002 to 5th June, 2012	0.070	0.071
In aggregate	–	599,661,440	–	–	–	599,661,440				

29. SHARE OPTION SCHEME (Continued)

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's shares disclosed is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

At the balance sheet date, the Company had 599,661,440 share options outstanding under the Scheme. The exercise in full of these share options would, under the present capital structure of the Company, result in the issue of 599,661,440 additional ordinary shares of the Company and additional share capital of HK$11,999,229 and share premium of HK$29,998,072 (before issue expenses).

30. RESERVES

(a) Group

The Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 24 of the financial statements.

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 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 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. RESERVES (Continued)

(b) Company

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2001	931,688	(616,573)	315,115
Net loss for the year	–	(34,849)	(34,849)
At 31st December, 2001 and 1st January, 2002	931,688	(651,422)	280,266
Net loss for the year	–	(15,778)	(15,778)
At 31st December, 2002	931,688	(667,200)	264,488

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the cash flow statement. The cash flow statement is now presented under three headings; cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes paid are now included in cash flows from operating activities, interest received are now included in cash flows from investing activities, interest paid are now included in cash flows from financing activities. The presentation of the 2001 comparative cash flow statements has been changed to accord with the new layout.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Disposal of subsidiaries

	2002 HK$'000
Net assets disposed of:	
Fixed assets	2
Properties under development	194,159
Other debtors, prepayments and deposits	366
Other creditors and accruals	(10)
	194,517
Realisation of unrealised profit attributable to the disposal of subsidiaries	1,006
Gain on disposal of subsidiaries	69,086
	264,609
Satisfied by:	
Cash	280,209
Expenses paid in connection with disposal of subsidiaries	(15,600)
	264,609

Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2002 HK$'000
Cash consideration	280,209
Expenses paid in connection with disposal of subsidiaries	(15,600)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	264,609

The results of the subsidiary disposed of in the year ended 31st December, 2002 had no significant impact on the Group's consolidated turnover or profits after tax for the year.

32. CONTINGENT LIABILITY

The Company and the Group have a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of HK$1,018,000 as at 31st December, 2002, as further explained in note 3 to the financial statements. The contingent liability has arisen as a number of current employees have achieved the required number of years of service to the Company and the Group, at the balance sheet date, in order to be eligible for long services payments under the Hong Kong Employment Ordinance and their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation could result in a material future outflow of resources from the Company and the Group.

33. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office premises and stores under operating lease arrangements. The lease term for office premises is three years, and leases for stores are negotiated for terms ranging from six months to thirty years.

At 31st December, 2002, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		**Company**	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**16,823**	7,561	**943**	2,264
In the second to fifth years, inclusive	**73,637**	21,044	**–**	943
After five years	**126,799**	–	**–**	–
	217,259	28,605	**943**	3,207

31st December, 2002

34. COMMITMENTS

In addition to the operating lease commitments detailed in note 33 above, the Group had the following capital commitments at the balance sheet date:

	Group	
	2002	2001
	HK$'000	HK$'000
Capital contributions payable to a subsidiary	**–**	2,886
Authorised and contracted for leasehold improvements	**928**	3,755
Authorised and contracted for fixed assets	**2,821**	–
	3,749	6,641

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

	Group	
	2002	2001
	HK$'000	HK$'000
Authorised and contracted for:		
Acquisition of land use rights	**33,447**	33,002
Preliminary development costs	**11,608**	11,248
	45,055	44,250

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

35. POST BALANCE SHEET EVENTS

(a) On 24th December, 2002, the Group entered into a sale and purchase agreement with an independent third party to dispose of a unit of its investment property for a consideration of HK$707,000. This transaction was completed on 15th February, 2003 and resulted in a loss on disposal before expenses of approximately HK$13,000.

(b) On 11th March, 2003, the Group entered into a conditional Share Purchase Agreement with the independent third party to acquire 48,700,000 shares in SHV-CPF (PRC) Investment Company Limited ("SHV-CPF"), representing 50% of the issued share capital of SHV-CPF at a total consideration of US$32,217,075 (equivalent to HK$251,293,185). Further details of the acquisition are set out in the Company's circular dated 10th April, 2003.

36. RELATED PARTY TRANSACTIONS

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

		Group	
		2002	2001
	Note	**HK$'000**	HK$'000
Interest expense paid to related companies	(a)	**1,033**	2,438
Interest income received from a jointly-controlled entity	(b)	**–**	(2,983)
Rental income in respect of investment properties received from related companies	(c)	**(4,085)**	(2,897)
Purchases of fixed assets from related companies	(d)	**–**	4,263
Purchases of merchandises from related companies	(e)	**20,630**	29,009
Sales of investment properties to related parties	(f)	**1,851**	–

31st December, 2002

36. RELATED PARTY TRANSACTIONS (Continued)

As disclosed in the consolidated balance sheet, the Group had outstanding amount due to the ultimate holding company of HK$309,000 (2001: HK$314,000). 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.

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 income was earned on the loan to Shanghai Fortune, details of which are set out in note 18 to the financial statements.

(c) 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.

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

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

(f) The investment properties were sold at the prices negotiated between parties.

37. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the presentation of certain items in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 11th April, 2003.