

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****1. ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties. The accounting policies adopted are consistent with those followed in the Group's annual financial statements for the year ended 31st December, 2002 except for the accounting policy on deferred taxation.

During the Period, the Group adopted Statement of Standard Accounting Practice ("SSAP") 12 (revised) "Income Taxes" for the first time for this interim reporting. According to the revised SSAP 12, provision for deferred taxation is made for all taxable temporary differences instead of timing differences as previously adopted. This change in accounting policy does not have any material impact on the Group's results and net assets for the current or prior periods.

The condensed consolidated financial statements have been prepared in accordance with SSAP 25 "Interim Financial Reporting" issued by Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The interim financial statements should be read in conjunction with the 2002 annual financial statements.

**2. TURNOVER AND SEGMENTAL INFORMATION**

Turnover represents the net invoiced value of sales after allowances for goods returned and trade discounts, interest income and rental income, net of value-added, business and real estate taxes, received and receivable in the People's Republic of China ("PRC") during the Period.

An analysis of the Group's turnover and contribution to profit/(loss) from operating activities by principal activity and geographical area of operations for the Period is as follows:

	<b>GROUP Unaudited Turnover</b>		<b>GROUP Unaudited Contribution to profit/(loss) from operating activities</b>	
	<b>Six months ended 30th June,</b>		<b>Six months ended 30th June,</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
By principal activity:				
Investment holding	<b>2,850</b>	2,243	<b>(22,266)</b>	44,359
Property investment	<b>436</b>	2,257	<b>(18,567)</b>	232
Retail	<b>108,798</b>	50,119	<b>(14,261)</b>	(15,143)
	<b><u>112,084</u></b>	<b><u>54,619</u></b>	<b><u>(55,094)</u></b>	<b><u>29,448</u></b>
By geographical area:				
PRC:				
Hong Kong	<b>3,286</b>	4,500	<b>(40,833)</b>	44,748
Elsewhere	<b>108,798</b>	50,119	<b>(14,261)</b>	(15,300)
	<b><u>112,084</u></b>	<b><u>54,619</u></b>	<b><u>(55,094)</u></b>	<b><u>29,448</u></b>



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 3. DEPRECIATION AND AMORTISATION

During the Period, a depreciation of HK\$4.93 million (2002: HK\$2.04 million) was charged in respect of the Group's property and equipment and no amortisation (2002: HK\$1.96 million) was charged in respect of the Group's intangible assets.

### 4. TAX

	<b>GROUP</b>	
	<b>Unaudited</b>	
	<b>Six months ended 30th June,</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Share of associates' tax:		
Provision for the Period	<b>1,226</b>	–
Tax charge for the Period	<b>1,226</b>	–

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

### 5. DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the Period (2002: nil).

### 6. EARNINGS/(LOSS) PER SHARE

#### (a) Basic earnings/(loss) per share

The calculation of basic loss per share is based on the loss from ordinary activities attributable to shareholders for the Period of HK\$46.08 million (2002: net profit of HK\$21.68 million) and the weighted average of 5,996,614,408 (2002: 5,996,614,408) shares of the Company in issue during the Period.

#### (b) Diluted earnings/(loss) per share

The diluted loss per share for the Period has not been disclosed as the warrants had expired on 12th June, 2003 and share options outstanding had an anti-dilutive effect on the basic loss per share.

Diluted earnings per share for the period ended 30th June, 2002 was calculated based on the net profit from ordinary activities attributable to shareholders of HK\$21.68 million plus deemed interest income of HK\$0.81 million on conversion of the dilutive potential ordinary shares, and the weighted average number of ordinary shares in issue of 5,996,614,408 shares during the period ended 30th June, 2002 plus the potential ordinary shares of 772,734,458 shares deemed to be issued if outstanding warrants and share options had been exercised.

### 7. TRANSFER TO/FROM RESERVE

There was no transfer to/from reserve of the Company in either the current or the prior interim reporting period.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****8. TRADE DEBTORS**

Details of the aging analysis of trade debtors of the Group are as follows:

	<b>Unaudited</b> <b>30th June,</b> <b>2003</b> <b>HK\$'000</b>	<b>GROUP</b>  Audited 31st December, 2002 HK\$'000
Less than 90 days	437	–
181 to 365 days	204	–
	<u>641</u>	<u>–</u>

**9. TRADE CREDITORS**

Details of the aging analysis of trade creditors of the Group are as follows:

	<b>Unaudited</b> <b>30th June,</b> <b>2003</b> <b>HK\$'000</b>	<b>GROUP</b>  Audited 31st December, 2002 HK\$'000
Less than 90 days	36,230	25,436
91 to 180 days	417	4,530
181 to 365 days	9	–
	<u>36,656</u>	<u>29,966</u>

**10. COMMITMENTS****(a) Capital commitments**

At the balance sheet date, the Group had the following capital commitments:

	<b>Unaudited</b> <b>30th June,</b> <b>2003</b> <b>HK\$'000</b>	<b>GROUP</b>  Audited 31st December, 2002 HK\$'000
Authorised and contracted for:		
Consideration payable for an acquisition	238,729	–
Acquisition of land use rights	33,447	33,447
Preliminary development costs	10,608	11,608
Leasehold improvements	–	928
Fixed assets	61	2,821
	<u>282,845</u>	<u>48,804</u>



## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 10. COMMITMENTS (Continued)

#### (b) Commitments under operating leases

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

	GROUP		COMPANY	
	Unaudited 30th June, 2003 HK\$'000	Audited 31st December, 2002 HK\$'000	Unaudited 30th June, 2003 HK\$'000	Audited 31st December, 2002 HK\$'000
Land and buildings expiring:				
Within one year	57,503	16,823	1,663	943
In the second to fifth years, inclusive	184,909	73,637	1,524	—
After five years	6,353	126,799	—	—
	<u>248,765</u>	<u>217,259</u>	<u>3,187</u>	<u>943</u>

### 11. POST BALANCE SHEET EVENTS

Subsequent to the Period, on 1st July, 2003, the Company entered into a conditional sale and purchase agreement relating to the disposal of its entire 100% equity interest in Chia Tai Tianjin Real Estate Company Limited ("C.T. Tianjin") to a third party for a consideration of RMB70.00 million (equivalent to HK\$65.80 million). C.T. Tianjin owns a 57% interest in a sino-foreign joint venture which has 100% ownership of the Tianjin Datian Plaza project. A deposit of RMB5.00 million (equivalent to HK\$4.70 million) was received on 7th July, 2003.

In addition, on 16th July, 2003, the Group entered into a conditional sale and purchase agreement to acquire a 10% equity interest in Chia Tai-Makro (Guangdong) Investment Co. Ltd. at a total consideration of US\$7.16 million (approximately HK\$55.85 million), subject to adjustments.