

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company and its subsidiaries are principally engaged in investment holding, the provision of mortgage finance and other related services and treasury investments.

In the opinion of the Directors, the ultimate holding company of the Company is Lippo Cayman Limited which is incorporated in the Cayman Islands.

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

The revised SSAP 12 "Income taxes" is effective for the first time for the current year's financial statements.

SSAP 12 (revised) prescribes the basis for accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carry forward of unused tax losses (deferred tax). The principal impact of the revision of this SSAP on the financial statements is that:

Measurement and recognition:

- a deferred tax asset has been recognised for tax losses arising in the current/prior periods to the extent that it is probable that there will/would be sufficient future taxable profits against which such losses can be utilised.

Disclosure:

- the related note disclosures are now more extensive than previously required. These disclosures are presented in Notes 9 and 16 to the financial statements and include a reconciliation between the accounting profit and the tax income for the year.

Further details of the accounting policy are stated in Note 3(o) to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(b) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the year ended 31st December, 2003. 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.

(c) Subsidiaries

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

Interests in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses.

(d) 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 as the higher of the asset's value in use or its net selling price.

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.

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), 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(e) Fixed assets and depreciation**

Fixed assets 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 the asset has 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 asset, the expenditure is capitalised as an additional cost of that asset.

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.

Depreciation of fixed assets is calculated on a straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rate used for this purpose is $33\frac{1}{3}$ per cent.

(f) Investment securities

Investment securities are securities which are intended to be held on a continuing strategic or long term purpose. Investment securities are included in the balance sheet at cost less provisions for impairment losses, on an individual investment basis. When such impairment losses have occurred, the carrying amounts of the securities are reduced to their fair values, as determined by the Directors and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairment losses cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged are credited to the profit and loss account to the extent of the amounts previously charged.

(g) Held-to-maturity securities

Held-to-maturity securities are investments in dated debt securities which the Group has the expressed intention and ability to hold to maturity, and are stated at cost adjusted for the amortisation of premiums or discounts arising on acquisition, less any provisions for impairment loss which reflect their credit risk.

(h) Other investments in securities

Other investments in securities are those securities which are held for trading purpose, and are stated at fair value at the balance sheet date. Unrealised holding gains or losses arising from changes in fair value of the securities are dealt with in the profit and loss account in the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(i) Recognition of revenue**

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:

- (i) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (ii) dealings in securities and disposals of investments, on the transaction dates when the relevant contract notes are exchanged.

(j) Mortgage loans

Mortgage loans are reported on the balance sheet at the total of principal amount outstanding and accrued interest receivable net of provisions for doubtful debts.

(k) Provisions for doubtful debts

A provision for doubtful debts is made when the Directors consider the recoverability of mortgage loan is in doubt. In addition, an amount has been set aside as a general provision. These provisions are deducted from "Mortgage Loans" on the balance sheet.

(l) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

(m) Operating leases

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

(n) Foreign currency transactions

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***(o) Income tax**

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account, or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised. In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

(p) 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 bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) 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 or 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.

4. SEGMENT INFORMATION

Segment information is presented by way of business segment as the primary reporting format and geographical segment as the secondary reporting format.

The Group's operating businesses are structured and managed separately, according to the nature of their operations. The Group's business segments represent different strategic business units which are subject to risks and returns that are different from those of the other business segments. In respect of geographical segment reporting, turnover is based on the location of customers, and assets and capital expenditure are based on the location of the assets. Description of the business segments is as follows:

- (a) the mortgage finance segment engages in the provision of mortgage finance and other related services; and
- (b) the treasury investments segment includes securities trading and interest income on bank deposits and held-to-maturity securities.

During the current and the prior years, there were no intersegment transactions.

4. SEGMENT INFORMATION (Continued)

An analysis of the Group's turnover and results by business segment and geographical segment is as follows:

Business segment**Group**

	2003			Total HK\$'000
	Mortgage finance HK\$'000	Treasury investments HK\$'000	Other HK\$'000	
Turnover	946	73,444	–	74,390
Other revenue	348	–	–	348
	<u>1,294</u>	<u>73,444</u>	<u>–</u>	<u>74,738</u>
Segment results	<u>1,593</u>	<u>7,512</u>	<u>(4,198)</u>	<u>4,907</u>
Unallocated corporate expenses				<u>(4,176)</u>
Profit before tax				731
Tax				<u>4,282</u>
Net profit from ordinary activities attributable to shareholders				<u>5,013</u>
Segment assets	4,987	198,888	3,600	207,475
Unallocated assets				<u>5,120</u>
Total assets				<u>212,595</u>
Segment liabilities	584	73	–	657
Unallocated liabilities				<u>848</u>
Total liabilities				<u>1,505</u>
Other segment information:				
Unrealised holding gain on other investments in securities	–	4,585	–	4,585
Net realised gain on disposal of other investments in listed securities	–	334	–	334
Provision for impairment in value for investment securities	–	–	(4,198)	<u>(4,198)</u>

4. SEGMENT INFORMATION (Continued)

Business segment (Continued)**Group**

	2002			
	Mortgage finance HK\$'000	Treasury investments HK\$'000	Other HK\$'000	Total HK\$'000
Turnover	1,691	88,785	–	90,476
Other revenue	991	–	–	991
	<u>2,682</u>	<u>88,785</u>	<u>–</u>	<u>91,467</u>
Segment results	<u>3,048</u>	<u>(14,089)</u>	<u>–</u>	<u>(11,041)</u>
Unallocated corporate expenses				<u>(5,292)</u>
Loss before tax				<u>(16,333)</u>
Tax				<u>–</u>
Net loss from ordinary activities attributable to shareholders				<u>(16,333)</u>
Segment assets	10,917	188,266	7,798	206,981
Unallocated assets				<u>726</u>
Total assets				<u>207,707</u>
Segment liabilities	943	73	–	1,016
Unallocated liabilities				<u>614</u>
Total liabilities				<u>1,630</u>
Other segment information:				
Unrealised holding loss on other investments in securities	–	(17,286)	–	(17,286)
Net realised loss on disposal of other investments in listed securities	–	(1,090)	–	<u>(1,090)</u>

No capital expenditure and depreciation for the above segments are presented as they are related to the corporate office.

4. SEGMENT INFORMATION (Continued)

Geographical segment**Group**

	2003			Total HK\$'000
	Hong Kong HK\$'000	Singapore HK\$'000	Other HK\$'000	
Revenue	66,117	8,621	–	74,738
Segment results	2,457	1,545	905	4,907
Segment assets	182,925	20,413	4,975	208,313
Unallocated assets				4,282
Total assets				212,595
Capital expenditure	(3)	–	–	(3)

	2002			Total HK\$'000
	Hong Kong HK\$'000	Singapore HK\$'000	Other HK\$'000	
Revenue	91,436	–	31	91,467
Segment results	(10,876)	–	(165)	(11,041)
Segment assets	207,707	–	–	207,707
Capital expenditure	(65)	–	–	(65)

5. TURNOVER

Turnover represents interest income on mortgage loans and gross income on treasury investments which includes sales proceeds from securities trading and interest income on bank deposits and held-to-maturity securities.

An analysis of the turnover of the Group by principal activity is as follows:

	Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mortgage finance:		
Interest on mortgage loans	946	1,691
Treasury investments:		
Interest on bank deposits	1,923	2,597
Sales of other investments in securities	70,851	84,302
Interest on held-to-maturity securities	–	1,886
Dividend income	670	–
	74,390	90,476

6. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is arrived at after crediting/(charging):

	Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs (includes directors' remuneration disclosed in Note 7)		
Wages and salaries	(2,120)	(1,826)
Retirement benefit costs – Note 8	(48)	(54)
Total staff costs	(2,168)	(1,880)
Depreciation	(3)	(65)
Auditors' remuneration	(200)	(160)
Minimum lease payments under operating leases		
in respect of land and buildings	(721)	(1,295)
Exchange gains/(losses), net	(199)	103
Net realised gain/(loss) on disposal of other investments		
in listed securities	334	(1,090)

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Directors' emoluments for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Companies Ordinance, are as follows:

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Executive Directors:		
Directors' fees	155	155
Non-executive Directors:		
Directors' fees	215	212
	370	367

The number of Directors whose emoluments fell within the following band is as follows:

Emoluments band	Group	
	2003 Number of Directors	2002 Number of Directors
Nil – HK\$1,000,000	8	8

Emoluments paid to independent non-executive Directors amounted to HK\$215,000 (2002 – HK\$212,000) during the year.

There were no arrangements under which a Director waived or agreed to waive any emoluments.

The five highest paid individuals during the year included one (2002 – one) Director, details of whose emoluments are set out above. The emoluments of the remaining four (2002 – four) non-director highest paid individuals for the year disclosed pursuant to the Listing Rules are analysed by amount and designated band as set out below.

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Basic salaries, allowances and benefits in kind	1,535	1,043
Retirement benefit costs	37	45
	1,572	1,088

7. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS *(Continued)*

Emoluments band	Group	
	2003	2002
	Number of	Number of
	individuals	individuals
Nil – HK\$1,000,000	4	4

8. RETIREMENT BENEFIT COSTS

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the Scheme. The Scheme became effective from 1st December, 2000. Contributions are made based on a percentage of the employees' relevant income and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme except for the Group's employer voluntary contributions forfeited when the employees leave employment prior to fully vesting in such contributions, which can be used to reduce the amount of future employer contributions, in accordance with the rules of the Scheme.

During the year, no forfeited voluntary contributions were utilised to reduce the amount of employer contributions (2002 – Nil). The amount of forfeited voluntary contributions available to offset future employer contributions to the Scheme was not material at the year end. The retirement benefit costs charged to the profit and loss account represent contributions paid and payable by the Group to the scheme and amounted to HK\$48,000 (2002 – HK\$54,000).

9. TAX

No provisions for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. Tax credit for the year represents deferred tax asset recognised in respect of unused tax loss available for offsetting against future taxable profits.

No provision for Hong Kong profits tax had been made in the prior year as the Group had applied the tax loss brought forward from prior years to offset the estimated assessable profits earned during that year.

9. TAX (Continued)

A reconciliation of the tax credit applicable to profit/(loss) before tax using the statutory rate for the country in which the Company and its subsidiaries are domiciled to the tax credit is as follows:

	Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(Loss) before tax	<u>731</u>	<u>(16,333)</u>
Tax at the statutory tax rate of 17.5% (2002 – 16.0%)	128	(2,613)
Effect of different tax rates in other jurisdictions	209	233
Income not subject to tax	(1,353)	(527)
Expenses not deductible for tax	560	2,787
Tax losses from previous periods recognised	(3,826)	–
Tax losses utilised from previous periods	–	(301)
Tax losses not recognised	–	421
Tax credit at the group's effective rate of 586% (2002 – Nil)	<u>(4,282)</u>	<u>–</u>

10. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit/(loss) from ordinary activities attributable to shareholders includes the profit for the year dealt with in the financial statements of the Company amounted to HK\$5,093,000 (2002 – loss of HK\$16,761,000).

11. EARNINGS/(LOSS) PER SHARE**(a) Basic earnings/(loss) per share**

Basic earnings/(loss) per share is calculated based on (i) the net profit from ordinary activities attributable to shareholders of HK\$5,013,000 (2002 – net loss of HK\$16,333,000); and (ii) the number of 225,000,000 ordinary shares (2002 – 225,000,000 ordinary shares) in issue during the year.

(b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share is presented for the years ended 31st December, 2003 and 2002 as there were no dilutive potential ordinary shares during these two years.

12. FIXED ASSETS**Group and Company**

	Motor vehicle, furniture and equipment
	<i>HK\$'000</i>
<hr/>	
Cost:	
At 1st January, 2003	279
Additions during the year	3
	<hr/>
At 31st December, 2003	282
	<hr/>
Accumulated depreciation:	
At 1st January, 2003	276
Provision for the year	3
	<hr/>
At 31st December, 2003	279
	<hr/>
Net book value:	
At 31st December, 2003	3
	<hr/>
At 31st December, 2002	3
	<hr/>

13. MORTGAGE LOANS

	Group and Company	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
<hr/>		
Total mortgage loan balances	5,479	11,708
Less: Provision for doubtful debts – Note 14		
– General	(102)	(514)
– Specific	(390)	(277)
	<hr/>	<hr/>
	4,987	10,917
Amounts due within one year classified as current assets	(2,141)	(4,139)
	<hr/>	<hr/>
Non-current portion	2,846	6,778
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14. PROVISION FOR DOUBTFUL DEBTS

	Group and Company		
	Specific <i>HK\$'000</i>	General <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2002	223	934	1,157
Provision written back during the year	–	(366)	(366)
Transfer	54	(54)	–
At 31st December, 2002 and 1st January, 2003	277	514	791
Provision written back during the year	–	(299)	(299)
Transfer	113	(113)	–
At 31st December, 2003	390	102	492

15. INVESTMENT SECURITIES

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Unlisted equity securities, at cost	7,798	7,798
Provision for impairment in value	(4,198)	–
	3,600	7,798

16. DEFERRED TAX ASSET

	Group and Company <i>HK\$'000</i>
Deferred tax credited to profit and loss account during the year and at 31st December 2003	4,282

Deferred tax asset recognised during the year has arisen from unused tax losses available for offsetting against future taxable profit.

The Group has deductible temporary differences and tax losses arising in Hong Kong of HK\$16,361,000 (2002 – HK\$31,865,000) and HK\$3,356,000 (2002 – HK\$25,217,000), respectively, that are available indefinitely for offsetting against future taxable profits of companies in which the losses arose. Deferred tax assets have not been recognised in respect of these deductible temporary differences and tax losses at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

17. OTHER INVESTMENTS IN SECURITIES

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Listed equity securities, at market value				
Hong Kong	60,681	22,252	60,681	22,252
Overseas	25,388	–	25,388	–
Unlisted investment funds, at fair value	–	142	–	–
	86,069	22,394	86,069	22,252

18. SHARE CAPITAL

	Group and Company	
	2003 HK\$'000	2002 HK\$'000
Authorised:		
300,000,000 (2002 – 300,000,000) ordinary shares of HK\$1.00 each	300,000	300,000
Issued and fully paid:		
225,000,000 (2002 – 225,000,000) ordinary shares of HK\$1.00 each	225,000	225,000

19. RESERVE

Group	Accumulated losses HK\$'000
At 1st January, 2002	(2,590)
Loss for the year	(16,333)
At 31st December, 2002 and 1st January, 2003	(18,923)
Profit for the year	5,013
At 31st December, 2003	(13,910)
Company	Accumulated losses HK\$'000
At 1st January, 2002	(2,590)
Loss for the year	(16,761)
At 31st December, 2002 and 1st January, 2003	(19,351)
Profit for the year	5,093
At 31st December, 2003	(14,258)

20. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	1	1
Due from subsidiaries	44,333	44,271
	44,334	44,272
Provisions for impairments in values	(40,750)	(36,431)
	3,584	7,841

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of subsidiaries as at 31st December, 2003 are as follows:

Name of company	Place of incorporation and operations	Issued and fully paid ordinary share capital	Percentage of equity attributable to the Company / Group		Principal activities
Galawin Limited	British Virgin Islands	US\$1	100	100	Securities investment
Sunshine Asia Limited	British Virgin Islands	US\$1	100	100	Investment holding
Winbest Holdings Limited	British Virgin Islands	US\$1	100	100	Investment holding
AAM Investments Limited	British Virgin Islands	US\$1	–	100	Securities investment
Goldjade Investment Limited	Hong Kong	HK\$2	–	100	Securities investment
Smart Dragon Limited	British Virgin Islands	US\$1	–	100	Investment holding

21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) before tax to cash generated from/(used in) operations

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Profit/(Loss) before tax	731	(16,333)
Adjustments for:		
Interest income	(2,869)	(6,174)
Depreciation	3	65
Provision for impairment in value for investment securities	4,198	–
Operating profit/(loss) before working capital changes	2,063	(22,442)
Decrease in mortgage loans	5,930	9,799
Decrease in held-to-maturity securities	–	22,194
Decrease/(Increase) in other investments in securities	(63,675)	18,556
Decrease/(Increase) in prepayments, deposits and other receivables	(5,694)	1,096
Decrease in creditors and accruals	(125)	(1,768)
Cash generated from/(used in) operations	(61,501)	27,435

(b) Acquisition of subsidiaries

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net assets acquired:		
Fixed assets	–	44
Cash and bank balances	–	366
Prepayments, deposits and other receivables	–	64
Creditors and accruals	–	(15)
Cash consideration paid	–	459

An analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Cash consideration paid	–	(459)
Cash and bank balances acquired	–	366
Net outflow of cash and cash equivalents	–	(93)

21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)***(c) Disposal of subsidiaries**

	Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets disposed of:		
Fixed assets	–	37
Cash and bank balances	–	96
Prepayments, deposits and other receivables	–	89
Creditors and accruals	–	(40)
	<hr/>	<hr/>
Cash consideration received	–	182
	<hr/>	<hr/>

An analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash consideration received	–	182
Cash and bank balances disposed of	–	(96)
	<hr/>	<hr/>
Net inflow of cash and cash equivalents	–	86
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22. COMMITMENTS

The Group leases its office property under operating lease arrangements. The term of the lease is for a period of two years. At 31st December, 2003, the Group and the Company have total future minimum lease payments under non-cancellable operating lease fall due as follows:

	Group and Company	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	668	721
In the second to fifth years, inclusive	56	724
	<hr/>	<hr/>
	724	1,445
	<hr/>	<hr/>

23. CONNECTED AND RELATED PARTY TRANSACTIONS

Listed out below are related party transactions disclosed in accordance with Statement of Standard Accounting Practice 20 "Related Party Disclosures".

- (a) During the year, the Company paid rental expenses of HK\$721,000 (2002 – HK\$1,295,000) to Prime Power Investment Limited, a wholly-owned subsidiary of Lippo China Resources Limited which in turn is the intermediate holding company of the Company, in respect of office premises let to the Company. The rental was determined by reference to open market rentals.
- (b) During the year, the Group through Lippo Securities Limited ("LSL"), a fellow subsidiary of the Company, sold and purchased listed securities in the market. Commissions paid to LSL during the year amounted to HK\$441,000. The commissions were in line with those offered by LSL to its customers.

The transaction referred to item (a) above is connected transaction disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Further details of the transaction are disclosed in the section headed "Directors' and Controlling Shareholders' Interests in Contracts" in the Report of the Directors.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 9th March, 2004.