

Notes to the Financial Statements

I. CORPORATE INFORMATION

The registered office of Shenyin Wanguo (H.K.) Limited is situated at 28th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.

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

- securities trading and investment holding
- securities broking and dealing
- securities financing and direct loan
- investment advisory services

In addition, the jointly-controlled entities of the Group were involved in highway operations during the year.

In the opinion of the directors, the ultimate holding company is Shenyin Wanguo Holdings (B.V.I.) Limited, which is incorporated in the British Virgin Islands with limited liability.

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

SSAP 12 (Revised): “Income taxes” is effective for the first time for the current year’s financial statements. SSAP 12 prescribes the 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 carryforward of unused tax losses (deferred tax).

The principal impact of the revision of this SSAP on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future; and

Notes to the Financial Statements

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE (“SSAP”) (Continued)

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

Disclosures:

- deferred tax assets and liabilities are presented separately on the balance sheet, whereas previously they were presented on a net basis; and
- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 11 and 23 to the financial statements and include a reconciliation between the accounting profit and the tax expense for the year.

Further details of these changes and the prior year adjustments arising from them are included in the accounting policy for deferred tax in note 3 and in note 23 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the Companies Ordinance. They have been prepared under the historical cost convention except for the periodic remeasurement of equity investments, 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 31 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.

Notes to the Financial Statements

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

Subsidiaries

A subsidiary is a company, other than a jointly-controlled entity, 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.

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

Joint venture companies

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

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

A joint venture company is treated as:

- (a) a subsidiary, if the Company has unilateral control, 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 the 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.

Notes to the Financial Statements

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

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.

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 from the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries or jointly-controlled entities 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. The goodwill arose on the acquisition of a subsidiary or jointly-controlled entities whose principal activity is the operation of a toll road. The goodwill is amortised by the annuity method, over 26 years, representing the remaining joint venture period of the jointly-controlled entities holding the toll road. In determining the estimated useful life of the goodwill, directors have considered, among other things, the expected term of the economic benefits to be obtained from the jointly-controlled entities. In the opinion of the directors, the amortisation period is reasonable and is reflective of the estimated useful life of such goodwill. The compound rate of the annuity method used for the amortisation of goodwill is 6%.

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

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

Notes to the Financial Statements

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

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.

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 recognised for an asset in previous 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 consolidated 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 consolidated 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 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 consolidated 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.

Notes to the Financial Statements

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

Fixed assets and depreciation *(Continued)*

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

Leasehold land	2%
Buildings	4%
Leasehold improvements	Over the lease terms
Furniture, fixtures and equipment	15%-33 ¹ / ₃ %
Motor vehicles	25%

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

Other assets

Other assets held on a long term basis are stated at cost less any impairment losses, on an individual basis.

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 operating leases are charged to the consolidated profit and loss account on the straight-line basis over the lease terms.

Stock and Futures Exchange trading rights

The eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited and the Hong Kong Futures Exchange Limited (the "Stock and Futures Exchange trading rights"), are stated at cost less accumulated amortisation and any impairment losses. The cost of the trading rights was determined based on the carrying values of the previously held shares in The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited, respectively. Amortisation is calculated on the straight-line basis to write off the cost of the trading rights over their estimated useful lives of 10 years.

Notes to the Financial Statements

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) securities and futures contracts trading profits or losses, on a trade date basis;
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective rate of interest applicable;
- (c) commission and trading revenue, on a trade date basis;
- (d) underwriting commission, when the obligation under the underwriting or sub-underwriting agreement has expired;
- (e) from the rendering of services, as the underlying services are provided; and
- (f) dividend income, when the shareholders' right to receive payment has been established.

Long term investments

Long term investments are non-trading investments in listed equity securities intended to be held on a long term basis. They are stated at their fair values at the balance sheet date, on an individual investment basis.

The gains or losses arising from changes in the fair value of a security are dealt with as movements in the long term investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the long term investment revaluation reserve, together with the amount of any further impairment, is charged to the consolidated profit and loss account for the period in which the impairment arises.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values at the balance sheet date, on an individual investment basis.

Notes to the Financial Statements

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

Short term investments *(Continued)*

The fair values of such listed securities are generally their quoted market prices at the balance sheet date. An appropriate discount to the market prices is made for listed securities not actively traded in a liquid market. The gains or losses arising from changes in the fair value of a security are credited or charged to the consolidated profit and loss account for the period in which they arise.

Loans and advances

Loans and advances to customers and accrued interest thereon are stated in the consolidated balance sheet net of any provision for bad and doubtful debts.

Interest on doubtful advances is credited to a suspense account which is netted in the consolidated balance sheet against the relevant advances.

Bad and doubtful debts

Provision is made against advances and other accounts as and when they are considered doubtful. In addition, an amount is set aside as a general provision for doubtful debts. Loans and advances are stated in the financial statements net of these provisions.

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 consolidated profit and loss account.

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.

Notes to the Financial Statements

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

Income tax *(Continued)*

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:

- except where the deferred tax liability arises from the goodwill or initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and;
- 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:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, 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.

Notes to the Financial Statements

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

Income tax *(Continued)*

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.

Dividend

A final dividend proposed by the directors is classified as a separate allocation of retained profits within the capital and reserves section in the balance sheet, until it is approved by the shareholders in a general meeting. When this dividend is approved by the shareholders and declared, it is recognised as a liability.

Cash and cash equivalents

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

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 the employees entitled and carried forward.

Notes to the Financial Statements

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

Employee benefits *(Continued)*

Pension schemes

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. The Group also retains its previous retirement scheme (the "ORSO Scheme") registered under the Occupational Retirement Scheme Ordinance as a top-up benefit for its employees.

Contributions are made based on a percentage of the employees' relevant income or basic salaries, whichever is greater, and are charged to the consolidated profit and loss account as they become payable in accordance with the rules of the MPF Scheme and the ORSO Scheme. When the contribution is over the statutory maximum requirements, the excess contribution is credited as the employer's voluntary contribution to the ORSO Scheme. The employer's mandatory contributions vest fully with the employees when contributed into the MPF Scheme. The employer's voluntary contributions vest with the employees according to the vesting scale of the ORSO Scheme. Forfeited contributions in respect of employees who leave the Group before their contributions fully vest are available to the Group to offset its future voluntary contributions.

The assets of the MPF Scheme and the ORSO Scheme are held separately from those of the Group in independently administered funds.

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 consolidated profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and jointly-controlled entities are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and jointly-controlled entities 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 fluctuation reserve.

Notes to the Financial Statements

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

Foreign currencies *(Continued)*

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 ruling 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.

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 services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other business segments. The summarised details of the business segments are as follows:

- securities trading and investment holding
- securities broking and dealing
- securities financing and direct loan
- investment advisory services

In determining the Group's geographical segments, turnover is attributed to the segments based on the location of the markets, and assets are attributed to the segments based on the location of the assets.

The Group's inter-segment sales and transfers are transacted with reference to terms and conditions used for similar transactions with third parties.

Notes to the Financial Statements

4. SEGMENT INFORMATION (Continued)

(a) Business segments

The following tables represent turnover, results and certain assets, liabilities and expenditure information for the Group's business segments.

Group	Securities trading and investment holding		Securities broking and dealing		Securities financing and direct loan		Investment advisory services		Eliminated on consolidation		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
		(Restated)		(Restated)				(Restated)				(Restated)
Segment turnover:												
External customers	498,915,615	150,569,855	52,844,880	50,041,490	31,339,656	37,439,762	6,405,188	9,367,328	—	—	589,505,339	247,418,435
Inter-segment	—	—	—	—	—	750,000	3,008,554	2,928,012	(3,008,554)	(3,678,012)	—	—
Total	498,915,615	150,569,855	52,844,880	50,041,490	31,339,656	38,189,762	9,413,742	12,295,340	(3,008,554)	(3,678,012)	589,505,339	247,418,435
Segment results	10,276,976	7,611,685	(17,567,747)	(24,586,329)	23,098,907	9,253,707	2,073,326	1,914,545	—	—	17,881,462	(5,806,392)
Unallocated expenses											(3,887,423)	(5,491,640)
Profit/(loss) from operating activities											13,994,039	(11,298,032)
Finance costs											(48,576)	(58,539)
Share of profits/(losses) of jointly-controlled entities	25,676,793	26,651,089									25,676,793	26,651,089
An associate	—	(24,386)									—	(24,386)
Profit before tax	(4,044,727)	(3,486,328)	17,136	(1,089,888)			31,174	(49,443)			39,622,256	15,270,132
Tax											(3,996,417)	(4,625,659)
Net profit from ordinary activities attributable to shareholders											35,625,839	10,644,473

Notes to the Financial Statements

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

Group	Securities trading and investment holding		Securities broking and dealing		Securities financing and direct loan		Investment advisory services		Eliminated on consolidation		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment assets	280,284,091	254,184,859	1,539,674,890	448,417,671	280,749,729	281,012,414	5,376,827	7,694,011	—	—	2,106,085,537	991,308,955
Goodwill	58,693,292	60,198,529	—	—	—	—	—	—	—	—	58,693,292	60,198,529
Interests in jointly-controlled entities	168,823,382	173,853,864	—	—	—	—	—	—	—	—	168,823,382	173,853,864
Unallocated assets	—	—	—	—	—	—	—	—	—	—	13,973,895	16,385,871
Total assets	507,799,765	488,237,252	1,539,674,890	448,417,671	280,749,729	281,012,414	5,376,827	7,694,011	—	—	2,347,576,106	1,241,747,219
Segment liabilities	14,761,155	8,604,997	1,535,252,400	397,542,939	111,645,104	179,257,814	607,609	1,349,879	—	—	1,662,266,268	586,755,629
Total liabilities	14,761,155	8,604,997	1,535,252,400	397,542,939	111,645,104	179,257,814	607,609	1,349,879	—	—	1,662,266,268	586,755,629
Other information:												
Capital expenditure	—	—	177,954	2,734,810	—	—	—	—	—	—	177,954	2,734,810
Amortisation of trading rights	—	—	842,366	842,367	—	—	—	—	—	—	842,366	842,367
Depreciation of segment assets	—	—	4,154,439	5,913,331	—	—	—	—	—	—	4,154,439	5,913,331
Provision for bad and doubtful debts	—	—	—	—	—	119,400,000	—	—	—	—	—	119,400,000
(Write-back of impairment provisions)/impairment provisions on long term investments	(5,382,802)	6,286,190	—	—	—	—	—	—	—	—	(5,382,802)	6,286,190
Write-back of prior years' accrued interest expenses on settlement of other loans and convertible note	—	—	—	12,000,000	—	—	—	—	—	—	—	12,000,000
Gain on cancellation of convertible note	—	—	—	92,000,000	—	—	—	—	—	—	—	92,000,000

(Restated)

Notes to the Financial Statements

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following tables represent turnover, assets and capital expenditure information for the Group's geographical segments.

Group

	2003 HK\$	2002 HK\$ (Restated)
Segment turnover:		
The People's Republic of China ("PRC")		
Hong Kong	518,423,574	223,296,916
Mainland China	70,785,370	24,084,960
Others	296,395	36,559
	589,505,339	247,418,435
Segment assets:		
PRC		
Hong Kong	2,114,003,976	1,007,694,826
Mainland China	227,516,674	234,052,393
Others	6,055,456	—
	2,347,576,106	1,241,747,219
Capital expenditure:		
PRC		
Hong Kong	373,759	4,383,972

Notes to the Financial Statements

5. TURNOVER

Turnover represents the aggregate of sales proceeds from securities and futures contracts trading, gross interest income from securities financing and direct loans, commission and brokerage income less rebates, fees for the rendering of services and dividend income. Revenue from the following activities has been included in turnover:

	Group	
	2003	2002
	HK\$	HK\$
Financial services:		
Sales proceeds from securities and futures contracts trading	497,030,571	144,168,566
Interest income from securities financing and direct loans	28,686,059	33,453,645
Commission and brokerage income	52,776,754	49,552,831
Rendering of services	6,283,425	9,867,328
	584,776,809	237,042,370
Others:		
Bank interest income	2,653,598	3,686,117
Dividend income from:		
Listed equity investments	1,743,522	1,106,887
Unlisted equity investment — an unconsolidated subsidiary	—	5,216,402
Others	331,410	366,659
	4,728,530	10,376,065
	589,505,339	247,418,435

Notes to the Financial Statements

6. OTHER REVENUE AND GAINS

	Group	
	2003	2002
	HK\$	HK\$
Gain on disposal of subsidiaries and an unconsolidated subsidiary (note 32(a))	—	19,224,728
Exchange gains, net	378,216	366,587
Others	156,000	165,833
	534,216	19,757,148

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

		Group	
		2003	2002
	Notes	HK\$	HK\$
Depreciation	15	6,533,525	9,703,957
Amortisation of goodwill	20	1,505,237	1,420,035
Amortisation of Stock and Futures Exchange trading rights	16	842,366	842,367
Staff costs (including directors' remuneration — note 8):			
Wages and salaries		43,586,264	47,620,260
Pension schemes contributions		3,151,874	4,023,372
Less: Forfeited contributions		(1,562,801)	(517,686)
Net pension schemes contributions*		1,589,073	3,505,686
		45,175,337	51,125,946
Interest expenses for financial services operations			
— on bank loans and overdrafts		4,893,127	5,518,585
— on other loans wholly repayable within five years		—	4,420,445
Minimum lease payments under operating leases		10,730,521	10,577,499
Auditors' remuneration		850,000	800,000
Loss on disposal of fixed assets		3,099	280,983
Net realised gains on trading of listed equity investments and futures contracts		(30,595,398)	(895,244)
Net unrealised losses on listed equity investments		17,825,590	4,053,400
Provision for claims [^]		4,000,000	—

Notes to the Financial Statements

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES (Continued)

* At 31 December 2003, the forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years amounted to approximately HK\$463,050 (2002: HK\$5,014).

^ During the year, certain brokerage clients of the Group's subsidiary, Shenyin Wanguo Securities (H.K.) Limited ("SWSL"), questioned their stockholding and account balances. The Group's management launched an investigation into the matter. SWSL has fidelity insurance cover and, if it is determined that the Group has any liability in respect of these claims, the directors of the Company consider that the claims should be adequately covered by the fidelity insurance and/or existing provisions.

8. DIRECTORS' REMUNERATION

The directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Companies Ordinance, was as follows:

	Group	
	2003	2002
	HK\$	HK\$
Fees:		
Executive directors	—	—
Non-executive directors *	160,000	100,000
	160,000	100,000
Other emoluments:		
Executive directors:		
Salaries, allowances and benefits in kind	2,420,000	2,616,000
Bonuses	586,830	—
Pension schemes contributions	227,000	225,600
	3,233,830	2,841,600
	3,393,830	2,941,600

* Except for the above directors' fees paid to the independent non-executive directors, there were no other emoluments payable to them during the year (2002: Nil).

Notes to the Financial Statements

8. DIRECTORS' REMUNERATION (Continued)

The number of directors whose remuneration fell within the following bands is as set out below:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	9	8
HK\$2,500,001 to HK\$3,000,000	—	1
HK\$3,000,001 to HK\$3,500,000	1	—
	10	9

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2002: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2002: one) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2002: four) non-director, highest paid employees are as follows:

	Group	
	2003 HK\$	2002 HK\$
Salaries, allowances and benefits in kind	5,004,366	5,756,316
Bonuses	447,750	269,853
Pension schemes contributions	467,112	462,482
	5,919,228	6,488,651

Notes to the Financial Statements

9. FIVE HIGHEST PAID EMPLOYEES (Continued)

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

	Number of employees	
	2003	2002
HK\$1,000,001 to HK\$1,500,000	3	3
HK\$2,000,001 to HK\$2,500,000	1	1
	4	4

10. FINANCE COSTS

	Group	
	2003 HK\$	2002 HK\$
Interest on bank loans and overdrafts	48,576	58,539

11. TAX

No provision for Hong Kong profits tax has been made as the Group companies either have available tax losses carried forward to offset the assessable profits arising in Hong Kong or did not generate any assessable profits arising in Hong Kong during the year. Provision for Hong Kong profits tax was made at the rate of 16% on the estimated assessable profits arising in Hong Kong during the year ended 31 December 2002. The increased Hong Kong profits tax rate became effective from the year of assessment 2003/2004, and so is applicable to the assessable profits arising in Hong Kong for the whole of the year ended 31 December 2003.

Taxes on 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.

Notes to the Financial Statements

II. TAX (Continued)

	2003 HK\$	2002 HK\$
Group:		
Current — Hong Kong		
Charge for the year	—	58,462
Under/(over)provision in prior year	(47,420)	824,225
Deferred (note 23)	184,000	24,000
	136,580	906,687
Share of tax attributable to jointly-controlled entities	3,859,837	3,718,972
	3,996,417	4,625,659

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company, its subsidiaries and jointly-controlled entities are domiciled to the tax expense at the effective tax rate is as follows:

	2003 HK\$	2002 HK\$
Profit before tax	39,622,256	15,270,132
Tax at the statutory tax rate of 17.5% (2002: 16%)	6,933,895	2,443,221
Difference in tax rates in other countries	(666,861)	(97,216)
Adjustments in respect of current tax of previous periods	(47,420)	824,225
Adjustment in respect of deferred tax assets on tax losses of previous periods	—	(345,000)
Effect on opening deferred tax of increase in rates	(61,313)	—
Income not subject to tax	(1,367,335)	(5,240,267)
Expenses not deductible for tax	1,617,527	1,263,160
Tax losses utilised from previous periods	(4,489,376)	(47,611)
Unrecognised deferred tax assets	2,077,300	5,825,147
Tax charge for the year	3,996,417	4,625,659

Notes to the Financial Statements

12. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2003 dealt with in the financial statements of the Company was HK\$10,672,020 (2002: HK\$1,913,143).

13. DIVIDEND

	2003 HK\$	2002 HK\$
Proposed final — HK2 cents (2002: HK1 cent) per ordinary share	10,615,183	5,307,591

14. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$35,625,839 (2002 restated: HK\$10,644,473) and the weighted average of 530,759,126 (2002: 521,118,030) ordinary shares in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share has been presented for the current year because there was no dilutive potential ordinary shares in existence during the year ended 31 December 2003.

The calculation of diluted earnings per share for the year ended 31 December 2002 was based on the net profit from ordinary activities attributable to shareholders for the year of HK\$10,644,473 (restated). The weighted average number of ordinary shares used in the calculation comprised the 521,118,030 ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 4,112,945 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all options outstanding during the year, and the weighted average of 59,961,590 ordinary shares assumed to have been issued on the full conversion of the convertible note outstanding during the year.

Notes to the Financial Statements

15. FIXED ASSETS

Group

	Land and buildings <i>HK\$</i>	Leasehold improvements <i>HK\$</i>	Furniture, fixtures and equipment <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Total <i>HK\$</i>
Cost:					
At beginning of year	4,095,000	13,859,265	35,561,707	4,520,739	58,036,711
Additions	—	—	373,759	—	373,759
Disposals	—	(613,620)	(86,283)	(267,000)	(966,903)
At 31 December 2003	4,095,000	13,245,645	35,849,183	4,253,739	57,443,567
Accumulated depreciation:					
At beginning of year	1,085,175	12,843,384	25,869,993	4,075,739	43,874,291
Provided during the year	122,850	552,615	5,591,060	267,000	6,533,525
Disposals	—	(613,620)	(80,184)	(267,000)	(960,804)
At 31 December 2003	1,208,025	12,782,379	31,380,869	4,075,739	49,447,012
Net book value:					
At 31 December 2003	2,886,975	463,266	4,468,314	178,000	7,996,555
At 31 December 2002	3,009,825	1,015,881	9,691,714	445,000	14,162,420

The land and buildings are held under long term leases, are situated in Hong Kong and are pledged to banks to secure the Group's long term bank loans (note 29).

Notes to the Financial Statements

16. STOCK AND FUTURES EXCHANGE TRADING RIGHTS

	Group HK\$
Cost:	
At beginning and end of year	8,011,296
Accumulated amortisation:	
At beginning of year	2,114,733
Provided during the year	842,366
At end of year	2,957,099
Net book value:	
At 31 December 2003	5,054,197
At 31 December 2002	5,896,563

17. OTHER ASSETS

	Group	
	2003 HK\$	2002 HK\$
Club debentures	2,470,000	2,470,000
Prepayments and deposits	3,967,653	3,565,110
	6,437,653	6,035,110

Notes to the Financial Statements

18. INTERESTS IN SUBSIDIARIES

	Company	
	2003 HK\$	2002 HK\$
Unlisted shares, at cost	90,910,152	90,910,146
Due from subsidiaries	630,738,840	654,929,760
	721,648,992	745,839,906
Due to subsidiaries	(41,260,024)	(41,367,736)
	680,388,968	704,472,170
Provision for impairment	(81,767,554)	(81,767,554)
	598,621,414	622,704,616

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for amounts due from subsidiaries of HK\$356,571,271 (2002: HK\$281,781,373) and an amount due to a subsidiary of HK\$48,071,175 (2002: Nil) which bear interest at rates ranging from the bank deposit savings rate to the prime rate (2002: bank deposit savings rate to the prime rate plus 2.75%) per annum.

All of the principal subsidiaries, unless otherwise indicated, are incorporated and operate in Hong Kong. Details of the Company's principal subsidiaries at the balance sheet date are as follows:

Name	Nominal value of issued and fully paid share capital	Percentage of ordinary shares held				Principal activities
		Direct		Indirect		
		2003	2002	2003	2002	
Shenyin Wanguo Securities (H.K.) Limited	300,000 ordinary shares of HK\$100 each	100	100	—	—	Securities broking and margin financing

Notes to the Financial Statements

18. INTERESTS IN SUBSIDIARIES (Continued)

Name	Nominal value of issued and fully paid share capital	Percentage of ordinary shares held				Principal activities
		Direct		Indirect		
		2003	2002	2003	2002	
Shenyin Wanguo Finance (H.K.) Limited	25,000,000 ordinary shares of HK\$1 each	100	100	—	—	Provision of financial services
Shenyin Wanguo Capital (H.K.) Limited	600,000 ordinary shares of HK\$10 each	100	100	—	—	Corporate finance
Shenyin Wanguo Futures (H.K.) Limited	8,000,000 ordinary shares of HK\$1 each	100	100	—	—	Futures and options broking
Shenyin Wanguo Brokerage (H.K.) Limited	5,000,000 ordinary shares of HK\$1 each	100	100	—	—	Securities broking
Shenyin Wanguo Research (H.K.) Limited	300,000 ordinary shares of HK\$1 each	100	100	—	—	Provision of securities research services
Shenyin Wanguo Enterprises (H.K.) Limited	15,000,000 ordinary shares of HK\$1 each	100	100	—	—	Provision of management and treasury services
Sparkle Well Limited	2 ordinary shares of HK\$1 each	100	100	—	—	Property holding

Notes to the Financial Statements

18. INTERESTS IN SUBSIDIARIES (Continued)

Name	Nominal value of issued and fully paid share capital	Percentage of ordinary shares held				Principal activities
		Direct		Indirect		
		2003	2002	2003	2002	
Wealthy Limited	2 ordinary shares of HK\$1 each	100	100	—	—	Property holding
Shenyin Wanguo Strategic Investments (H.K.) Limited	10,000 ordinary shares of HK\$1 each	100	100	—	—	Securities trading and investment
First Million Holdings Limited*	1 ordinary share of US\$1	100	100	—	—	Securities trading and investment
Shenyin Wanguo Trading (H.K.) Limited	375,000 ordinary shares of HK\$1 each	100	100	—	—	Securities trading and provision of agency services
Shenyin Wanguo (Holdings) Limited	2 ordinary shares of HK\$1 each	100	100	—	—	Investment holding
Shenyin Wanguo Nominees (H.K.) Limited	1,000 ordinary shares of HK\$1 each	—	—	100	100	Provision of share custodian and nominee services

Notes to the Financial Statements

18. INTERESTS IN SUBSIDIARIES (Continued)

Name	Nominal value of issued and fully paid share capital	Percentage of ordinary shares held				Principal activities
		Direct		Indirect		
		2003	2002	2003	2002	
Shenyin Wanguo Online Limited	2 ordinary shares of HK\$1 each	100	100	—	—	Leasing of computer equipment
Crux Assets Limited*	1 ordinary share of US\$1	—	—	100	100	Investment holding
Shenyin Wanguo Asset Management (Asia) Limited	1,000,000 ordinary shares of HK\$1 each	—	—	100	100	Provision of asset management services

* Incorporated in the British Virgin Islands.

The above table 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.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2003 HK\$	2002 HK\$
Share of net assets	168,823,382	173,853,864

Notes to the Financial Statements

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of			Principal activities
			Ownership interest	Voting interest	Profit sharing	
The New China Hong Kong Highway Limited ("NCHK")	Corporate	British Virgin Islands	26.19	26.19	26.19	Investment holding
Sichuan Chengmian Expressway Co., Ltd. ("SCECL")	Corporate	Mainland China	15.71	15.71	26.19	Highway operations

The above investments in jointly-controlled entities are indirectly held by the Company.

NCHK holds a 60% equity interest in SCECL. In accordance with the terms of the revised joint venture agreement of SCECL dated 18 March 1994 and based on the financial statements of the joint venture prepared under generally accepted accounting principles in the PRC, NCHK is entitled to all of the net profit generated by SCECL from the date of registration of SCECL to 21 December 2003. Thereafter, NCHK is entitled to 60% and 50% of the net profit generated by SCECL for the periods from 22 December 2003 to 21 December 2008 and from 22 December 2008 to 21 December 2018, respectively. For the period from 22 December 2018 to the end of the joint venture period on 21 December 2024, NCHK is entitled to 40% of the net profit generated by SCECL.

The interests in jointly-controlled entities have been pledged to secure the Group's bank loans (note 29).

Notes to the Financial Statements

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

Extracts of the financial information of the jointly-controlled entities are as follows:

	NCHK and its subsidiary	
	2003 HK\$	2002 HK\$
Turnover	209,051,720	196,196,178
Profit before tax	98,040,448	101,760,554
Fixed assets	1,538,454,256	1,588,147,162
Current assets	97,386,515	69,904,220
Current liabilities	(14,461,607)	(30,899,329)
Long term liabilities	(54,909,984)	(51,768,720)
Minority interests	(921,859,088)	(911,565,602)
Net assets	644,610,092	663,817,731

20. GOODWILL

	Group HK\$
Cost:	
At beginning and end of year	64,658,842
Accumulated amortisation:	
At beginning of year	4,460,313
Provided for the year	1,505,237
At end of year	5,965,550
Net book value:	
At 31 December 2003	58,693,292
At 31 December 2002	60,198,529

Notes to the Financial Statements

21. LONG TERM RECEIVABLE

	Group	
	2003	2002
	HK\$	HK\$
Amounts receivable	292,767,388	292,767,388
Less: Provision for doubtful debts	(110,000,000)	(110,000,000)
	182,767,388	182,767,388

At 31 December 2003, the Group had amounts receivable from Century City International Holdings Limited ("CCIH") and its subsidiaries (collectively the "CC Group") in the aggregate amount of HK\$292,767,388 (2002: HK\$292,767,388), representing approximately 43% (2002: 45%) and 12% (2002: 24%) of the Group's net assets and total assets, respectively, at the balance sheet date. The aggregate balance comprises receivables arising from securities and options trading, a claim under an indemnity in relation to the acquisition of the interests in jointly-controlled entities and accrued interest income. These receivables are guaranteed by CCIH, partially secured by listed securities and are due for repayment.

As the directors consider that the receivable is unlikely to be recovered within the next 12 months, the amount has been classified as a long term receivable and a provision of HK\$110,000,000 was made during the year ended 31 December 2002. The amounts receivable from the CC Group bear interest at rates ranging from the prime rate plus 3.05% to 4% (2002: prime rate plus 3.05% to 4%) per annum, however no interest has been recognised due to the uncertainty of the recoverability of the receivable.

Notes to the Financial Statements

22. INVESTMENTS

	Group	
	2003	2002
	HK\$	HK\$
Long term investments		
Listed equity investments in Hong Kong at fair value	10,367,117	4,984,315
Short term investments		
Listed equity trading securities at fair value:		
Hong Kong	77,990,142	60,188,073
Overseas	2,078,040	79,402
	80,068,182	60,267,475

The market values of the Group's long term listed equity investments at the balance sheet date and date of approval of these financial statements were approximately HK\$10,367,117 (2002: HK\$4,984,315) and HK\$20,097,863 (2002: HK\$4,728,841), respectively.

The market values of the Group's short term listed equity trading securities at the balance sheet date and date of approval of these financial statements were approximately HK\$84,751,331 (2002: HK\$60,267,475) and HK\$90,378,990 (2002: HK\$60,407,532), respectively.

Certain listed investments of the Group have been pledged to secure the Group's bank borrowings (note 29).

Notes to the Financial Statements

23. DEFERRED TAX ASSETS

The movement in deferred tax assets during the year is as follows:

Group	2003 Losses available for offset against future taxable profit HK\$
<hr/>	
At 1 January 2003	
As previously reported	—
Prior year adjustment:	
SSAP 12 — restatement of deferred tax	654,000
<hr/>	
As restated	654,000
Deferred tax charged to the profit and loss account during the year (<i>note 11</i>)	(184,000)
<hr/>	
Deferred tax assets at 31 December 2003	470,000
<hr/>	
	2002 Losses available for offset against future taxable profit HK\$
<hr/>	
At 1 January 2002	
As previously reported	—
Prior year adjustment:	
SSAP 12 — restatement of deferred tax	678,000
<hr/>	
As restated	678,000
Deferred tax charged to the profit and loss account (<i>note 11</i>)	(24,000)
<hr/>	
Deferred tax assets at 31 December 2002	654,000
<hr/>	

Notes to the Financial Statements

23. DEFERRED TAX ASSETS (Continued)

The Group has tax losses arising in Hong Kong of HK\$264,397,313 (2002: HK\$282,893,547) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the group companies that have been loss-making for some time.

At 31 December 2003, there was no significant unrecognised deferred tax liability (2002: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and joint ventures as the Group has no liability to additional tax should such amounts be remitted due to the availability of double tax relief.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

SSAP 12 (Revised) was adopted during the year, as further explained in note 2 to the financial statements. This change in accounting policy has resulted in an increase in the Group's deferred tax asset as at 31 December 2003 and 2002 by HK\$470,000 and HK\$654,000, respectively. As a consequence, the consolidated net profit from ordinary activities attributable to shareholders for the years ended 31 December 2003 and 2002 have been decreased by HK\$184,000 and HK\$24,000, respectively, and the consolidated retained profits at 1 January 2003 and 2002 have been increased by HK\$654,000 and HK\$678,000, respectively, as detailed in the consolidated statement of changes in equity.

24. ACCOUNTS RECEIVABLE

	Group	
	2003	2002
	HK\$	HK\$
Accounts receivable	604,947,136	108,062,275
Less: Provision for doubtful debts — specific	(19,231,242)	(19,231,242)
	585,715,894	88,831,033

Notes to the Financial Statements

24. ACCOUNTS RECEIVABLE (Continued)

An aged analysis of accounts receivable is as follows:

	2003 HK\$	2002 HK\$
Current to 30 days	571,681,295	75,971,138
31 to 60 days	2,469,333	8,315,546
61 to 90 days	550,643	1,506,017
Over 90 days	30,245,865	22,269,574
	604,947,136	108,062,275

The Group allows a credit period up to the settlement dates of the respective securities and commodities transactions or a credit period mutually agreed with the contracting parties.

25. LOANS AND ADVANCES

	Group	
	2003 HK\$	2002 HK\$
Loans and advances to customers:		
Secured	280,705,629	260,394,504
Unsecured	3,221,289	23,239,909
Interest receivable	—	1,697,427
	283,926,918	285,331,840
Less: Provision for doubtful debts		
Specific	(17,641,227)	(17,576,319)
General	—	(64,908)
	266,285,691	267,690,613

Notes to the Financial Statements

25. LOANS AND ADVANCES (Continued)

The maturity profile of the loans and advances to customers at the balance sheet date is analysed by the remaining periods to their contractual maturity dates as follows:

	2003 HK\$	2002 HK\$
Repayable on demand	269,590,272	234,463,321
Within three months	—	3,621,087
One year or less, but over three months	—	12,892,163
Undated	14,336,646	34,355,269
	283,926,918	285,331,840

As at 31 December 2003, the total market value of securities pledged as collateral in respect of loans to customers was HK\$869,855,593 (2002: HK\$572,306,348) (note 29).

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Cash and bank balances	25,282,822	12,724,999	1,094,536	444,506
Time deposits with original maturity of less than three months when acquired	12,424,829	22,424,651	—	—
	37,707,651	35,149,650	1,094,536	444,506

Notes to the Financial Statements

27. ACCOUNTS PAYABLE

An aged analysis of accounts payable is as follows:

	Group	
	2003	2002
	HK\$	HK\$
Current to 30 days	1,521,912,454	394,404,258

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Other payables	6,986,521	9,904,733	1,658,159	3,514,577
Accruals	26,892,123	8,256,906	5,619,243	2,201,000
	33,878,644	18,161,639	7,277,402	5,715,577

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Bank overdrafts, secured	—	2,449,888	—	—
Bank loans, secured	106,475,170	141,739,844	—	—
Other loans, unsecured	—	30,000,000	—	30,000,000
	106,475,170	174,189,732	—	30,000,000

Notes to the Financial Statements

29. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

The maturities of the Group's bank and other borrowings are analysed as follows:

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Bank overdrafts repayable within one year or on demand	—	2,449,888	—	—
Bank loans repayable:				
Within one year or on demand	105,272,722	140,266,747	—	—
In the second year	281,017	272,790	—	—
In the third to fifth years, inclusive	895,390	869,170	—	—
Beyond five years	26,041	331,137	—	—
	106,475,170	141,739,844	—	—
Other loans repayable within one year or on demand	—	30,000,000	—	30,000,000
	106,475,170	174,189,732	—	30,000,000
Portion classified as current liabilities	(105,272,722)	(172,716,635)	—	(30,000,000)
Long term portion	1,202,448	1,473,097	—	—

The secured bank loans and bank overdrafts are secured by the pledge of interests in jointly-controlled entities (note 19), certain listed investments of the Group (note 22) and listed shares held by the Group as security for advances to customers (note 25) and are guaranteed by the Company.

Notes to the Financial Statements

29. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Bank loans of HK\$1,475,170 (2002: HK\$1,739,844) are secured by the pledge of the Group's land and buildings (note 15).

30. SHARE CAPITAL

	Number of ordinary shares of HK\$0.50 each	Company HK\$
Authorised	2,000,000,000	1,000,000,000
Issued and fully paid:		
At 1 January 2002	519,759,126	259,879,563
Issue of shares on exercise of options	11,000,000	5,500,000
At 31 December 2002, 1 January 2003 and 31 December 2003	530,759,126	265,379,563

During the year ended 31 December 2002, the subscription rights attaching to 11,000,000 share options were exercised at the subscription price of HK\$0.50 per share, resulting in the issue of 11,000,000 shares of HK\$0.50 each for a total cash consideration of HK\$5,500,000.

31. RESERVES

(a) Group

The amounts of 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 29 of the financial statements.

The Group's general reserve represents prior year appropriations of profits which are distributable.

Notes to the Financial Statements

31. RESERVES (Continued)

(b) Company

	Note	Share premium account HK\$	General reserve HK\$	Retained profits HK\$	Total HK\$
At 1 January 2002		314,739,683	656,293	5,884,107	321,280,083
Net profit for the year		—	—	1,913,143	1,913,143
Proposed final 2002 dividend	13	—	—	(5,307,591)	(5,307,591)
At 31 December 2002 and 1 January 2003		314,739,683	656,293	2,489,659	317,885,635
Net profit for the year		—	—	10,672,020	10,672,020
Proposed final 2003 dividend	13	—	—	(10,615,183)	(10,615,183)
At 31 December 2003		314,739,683	656,293	2,546,496	317,942,472

The Company's general reserve represents prior year appropriations of profits which are distributable.

Notes to the Financial Statements

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of subsidiaries

	2003 HK\$	2002 HK\$
Net assets disposed of:		
Cash and bank balances	—	400
Deposits	—	2,250
Interest in an unconsolidated subsidiary	—	30,499,674
Due to a Group company	—	(5,800,408)
	—	24,701,916
Gain on disposal (note 6)	—	19,224,728
	—	43,926,644
Satisfied by:		
Amount due to a Group company	—	(5,800,408)
Cash	—	49,727,052
	—	43,926,644

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

	2003 HK\$	2002 HK\$
Cash consideration, net	—	49,727,052
Cash and bank balances disposed of	—	(400)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	—	49,726,652

The results of these subsidiaries disposed of had no significant impact on the consolidated turnover and profit after tax for the year ended 31 December 2002.

Notes to the Financial Statements

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

(b) Acquisition of a subsidiary

	2003 HK\$	2002 HK\$
Net assets acquired:		
Cash and bank balances	—	1,061,756
Other payables and accruals	—	(63,584)
	—	998,172
Negative goodwill on acquisition	—	(9,833)
	—	988,339
Satisfied by:		
Cash	—	509,738
Reclassification of interest in a subsidiary from interest in an associate	—	478,601
	—	988,339

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	2003 HK\$	2002 HK\$
Cash consideration	—	(509,738)
Cash and bank balances acquired	—	1,061,756
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	—	552,018

The results of the subsidiary acquired had no significant impact on the consolidated turnover and profit after tax for the year ended 31 December 2002.

Notes to the Financial Statements

33. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had the following contingent liabilities:

	Group		Company	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Guarantees in respect of bank loans and other facilities granted to subsidiaries	—	—	611,500,000	442,500,000

As at 31 December 2003, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilised to the extent of approximately HK\$105,000,000 (2002: HK\$27,449,000).

34. COMMITMENTS

(a) Capital commitments

	Group	
	2003 HK\$	2002 HK\$
Contracted, but not provided for	1,200,000	1,400,000

(b) Operating lease commitments as a lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years.

Notes to the Financial Statements

34. COMMITMENTS *(Continued)*

(b) Operating lease commitments as a lessee *(Continued)*

At 31 December 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2003	2002
	HK\$	HK\$
Within one year	8,113,905	8,646,374
In the second to fifth years, inclusive	3,144,731	10,252,564
	11,258,636	18,898,938

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

35. CONNECTED AND RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group entered into the following material connected and related party transactions during the year:

- (a) The Group paid research fee of HK\$830,000 (2002: HK\$100,000) to the substantial shareholder of the Company, Shenyin & Wanguo Securities Co., Ltd.
- (b) During the year ended 31 December 2002, the Group utilised the revolving loan facility with a maximum amount of HK\$20,000,000 from and paid the interest expenses totalling HK\$235,890 to Shanghai Shenyin Securities (H.K.) Ltd., of which a director of the Company is also a director. The facility was not utilised during the year.
- (c) During the year ended 31 December 2002, the loan advanced from the substantial shareholder of the Company, Venture-Some Investments Limited, of HK\$20,000,000 was fully repaid.

Notes to the Financial Statements

36. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of a revised SSAP during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated to conform with the current year's presentation.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 April 2004.