

1. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties and investments in securities are stated at fair value.

In current year, the Group adopted the revised SSAP 9 “Events after the balance sheet date”, SSAP 10 “Accounting for investments in associates” and SSAP 21 “Accounting for interests in joint ventures” which are effective for accounting periods commencing on or after 1st January 2001. The effects of adopting these revised standards are set out below:

- (i) Dividends proposed or declared after the balance sheet date are no longer recognised as liabilities at the balance sheet date, but are treated as part of the shareholders’ funds. Accordingly adjustments have been made to restate the retained earnings of the Group as at 1st January 2000 (*note 30*) and to reclassify the dividend receivable from an associate as at 31st December 2000 as part of the Group’s share of net assets of associates.

Adjustments have also been made to restate the retained earnings and loss of the Company in prior years (*note 30*) and the dividend receivable from subsidiaries as at 31st December 2000.

- (ii) The Group no longer recognises its share of losses of associates and jointly controlled entities in excess of the carrying amount of these investments even when the Group also provides support to these associates and jointly controlled entities by way of loans and other receivables. Provisions are instead separately made against balances due from these associates and jointly controlled entities. As a result, the comparative figures of the profit and loss account have been adjusted to increase the Group’s share of profits less losses of associates and jointly controlled entities by HK\$1,495,902 and HK\$65,271,775 respectively, and to include a provision for balances due from these associates and jointly controlled entities of the same amounts in aggregate for the year ended 31st December 2000 (*note 5*). The Group’s share of net assets of associates and jointly controlled entities as at 31st December 2000 have also as a result increased by HK\$8,741,862 and HK\$146,900,516 respectively, with provisions of the same amounts set up against balances due from the associates and jointly controlled entities (*notes 16 and 17*).

The analysis of the Group’s retained earnings attributable to the Company and subsidiaries, jointly controlled entities and associates as at 31st December 2000 has also been adjusted to take into account of the above changes (*note 30*).

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which has not been previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Jointly controlled entities

A jointly controlled entity is an entity which through contractual arrangements is subject to joint control by the Group and other parties, and none of the participating parties has unilateral control over the entity.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet the investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in a jointly controlled entity reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the jointly controlled entity.

(d) Associates

An associate is a company, not being a subsidiary or a jointly controlled entity, in which an equity interest is held for the long term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associates for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associates and goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Associates (Continued)

In the Company's balance sheet the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

(e) Revenue recognition

The Group's principal activities are property investment, development and sales, provision of financial services, toll road and other investments.

(i) Interest and rental income

Interest income is recognised on accruals basis, except in the case of doubtful debts where interest accrual is ceased.

Rental income is recognised on an accruals basis.

(ii) Gross insurance premiums less reinsurance

Gross insurance premiums less reinsurance ceded are recognised at the risk inception date.

(iii) Sale of properties

Revenue arising from the sale of properties is recognised when the construction work and development of the properties contracted for sale have been completed and sale agreements are concluded.

(iv) Commission income and management fees

Commission income and management fees are recognised upon the provision of services.

(v) Income from co-operative ventures

Predetermined income from investment in co-operative ventures in which the Group has no entitlement to profits or net assets is recognised on an accruals basis so as to produce a constant return on the investment balance (net of capital repayments) throughout the period of the Group's investment in the venture. Income accrual is ceased in case the collectibility of the income is doubtful.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Fixed assets

Fixed assets other than investment properties (*note 1(g)*) and other properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Other properties, which are interests in land and buildings, are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. Surpluses arising from valuation of other properties are credited to other properties revaluation reserve; decreases are first set off against increases on earlier valuation of the same piece of other property and thereafter debited to the profit and loss account. Upon disposal of a property, the relevant portion of the revaluation reserve realised is released and transferred from the revaluation reserve to retained profits.

In preparing these accounts, advantage has been taken of the transitional provisions set out in paragraph 80 of Statement of Standard Accounting Practice No.17 issued by the Hong Kong Society of Accountants, with the effect that other properties have not been revalued to fair value at the balance sheet date.

Freehold land is not depreciated. Other fixed assets are depreciated at rates sufficient to write off their cost or valuation less accumulated impairment losses over their estimated useful lives at the following annual rates:

(i) *Straight line method:*

Leasehold land	Over the unexpired term of the lease
Buildings	Over the shorter of the unexpired term of the lease and thirty years
Computer equipment	20% – 25%

(ii) *Reducing balance method:*

Furniture, fixtures and office equipment	10% – 20%
Motor vehicles	20% – 25%

(g) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than 20 years are valued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve; decreases are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the profit and loss account.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)**(g) Investment properties (Continued)**

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining terms of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the reserve to the profit and loss account.

(h) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in other properties and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(i) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries, jointly controlled entities and associates at the date of acquisition. Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. All these transactions occurred prior to 1st January 2001 and the Group has taken advantage of the transitional provisions in SSAP 30 "Business combinations" that goodwill previously written off against reserves and negative goodwill previously taken directly to reserves on acquisition has not been restated. However any impairment arising on goodwill is accounted for in accordance with SSAP 31 "Impairment of assets". On disposal of a subsidiary, jointly controlled entity and associate, the related goodwill is included in calculating the profit and loss on disposal.

(j) Other investments

Land use right is stated at cost less provision for diminution in value when considered necessary by the directors.

Co-operative ventures in which the Group has no entitlement to profits or net assets, but instead the investment income arising therefrom is predetermined in the venture agreements, are classified as other investments and are carried at cost less capital repayments received, so as to write down the cost to nil value over the contract period.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Investments in securities

(i) *Trading securities*

Trading securities are securities which were acquired for the purpose of generating a profit from short-term fluctuations in price and are stated at fair value at the balance sheet date. Fair value is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Changes in fair value of trading securities are recognised in the profit and loss account as they arise.

(ii) *Non-trading securities*

Non-trading securities other than debt securities intended to be held-to-maturity are stated at fair value at the balance sheet date.

Changes in the fair value of non-trading securities are recognised in the investment revaluation reserve until the security is sold or determined to be impaired, at which time the cumulative gain or loss is transferred from the investment revaluation reserve to the profit and loss account.

(l) Properties held for sale

Properties held for sale are stated at the lower of cost and estimated net realisable value. Cost includes land cost, development expenditure and other direct expenses.

(m) Unearned premiums

Unearned premiums represent those portions of premiums written which are estimated to relate to periods of risk subsequent to the balance sheet date. They are computed on a 24th basis.

(n) Deferred acquisition costs

Deferred acquisition costs consist of commissions, discounts and other cost after deducting reinsurance commission income, which are primarily related to the production of revenues. They are deferred and amortised over the terms of the insurance policies. Deferred acquisition costs are reviewed to determine if they are recoverable from future income. If such costs are determined to be irrecoverable, they are expensed at the time of determination.

(o) Outstanding insurance claims

Full provision is made for outstanding claims including those incurred but not reported. This provision, although not capable of precise assessment, is made in the light of available information, after taking into account direct claims handling expenses. Indirect expenses relating to the general administration of claims are not included as part of outstanding insurance claims.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)**(o) Outstanding insurance claims (Continued)**

The provision for claims incurred but not reported at the balance sheet date is made based on historical experience.

Claims recoverable from reinsurers are included as an asset in the balance sheet.

(p) Provision for unexpired risks

Provision for unexpired risks represents the estimated amounts required over and above unearned premiums to meet future claims and related expenses on business in force at the end of the year. Provision is made taking into account the losses, management expenses and investment yields expected to occur on the unearned premiums to which the policies relate.

(q) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases net of any incentives received from the leasing company are credited / charged to the profit and loss account on a straight line basis over the lease term.

(r) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(s) Foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries, associates and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising are dealt with as a movement in reserves.

(t) Retirement benefit costs

The Group's contributions to staff retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme (*note 7(a)*) prior to vesting fully in the contributions.

(u) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(v) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment assets consist primarily of fixed assets, properties held for sale, receivables, investments in securities and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets (*note 14*).

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are based on the country in which the assets are located.

(w) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, short term bank deposits with original maturity less than three months and exclude those bank deposits in dispute (*note 24(b)*).

2. TURNOVER AND SEGMENT REVENUE INFORMATION

The Group's turnover represents gross insurance premiums less reinsurance, profit commission income, gross proceeds from disposal of properties held for sale, rental income, income from a co-operative venture, interest income and management fees.

The amount of each significant category of revenue recognised during the year is as follows :

	2001 HK\$	2000 HK\$
Gross insurance premiums	72,156,222	81,639,666
Profit commission income	378,725	144,078
Gross proceeds from properties held for sale	46,157,157	42,339,898
Rental income from investment properties	3,709,599	3,416,703
Income from a co-operative venture (<i>note 18(a)</i>)	1,716,574	19,815,307
Interest income (<i>note 16 and 24(a)</i>)	11,669,138	34,277,948
Management fee	701,193	1,350,881
	136,488,608	182,984,481
Less: Reinsurance	(12,265,404)	(14,918,916)
	124,223,204	168,065,565

2. TURNOVER AND SEGMENT REVENUE INFORMATION (Continued)

Primary reporting format – business segments

For the year ended 31st December 2001

	Property investment, development and sales HK\$	Financial services HK\$	Toll road investment HK\$	Investment holdings and others HK\$	Group HK\$
Turnover	50,023,579	63,141,825	1,716,574	9,341,226	124,223,204
Other revenues	–	212,966	–	63,541,842 (note 15(a))	63,754,808
Total revenues	50,023,579	63,354,791	1,716,574	72,883,068	187,978,012
Segment results	(28,175,555)	(5,304,136)	1,230,621	70,841,643	38,592,573
Unallocated costs					(5,804,749)
Operating profit					32,787,824
Finance costs					(1,083,700)
Share of profits of					
– Jointly controlled entities	–	32,384,429	–	–	32,384,429
– Associates	–	–	13,669,048	–	13,669,048
Profit before taxation					77,757,601
Taxation	(2,273,207)	(5,572,623)	–	–	(7,845,830)
Profit after taxation					69,911,771
Minority interests					(2,644,055)
Profit attributable to shareholders					67,267,716
Segment assets	191,265,345	189,787,963	106,357	374,999,441	756,159,106
Investments in jointly controlled entities	9,151,527	428,217,416	–	–	437,368,943
Investments in associates	5,202,580	–	86,728,267	–	91,930,847
Unallocated assets					46,123,775
Total assets					1,331,582,671
Segment liabilities	39,245,319	113,102,536	23,678	46,039,983	198,411,516
Unallocated liabilities					4,201,282
Total liabilities					202,612,798

2. TURNOVER AND SEGMENT REVENUE INFORMATION (Continued)

Primary reporting format – business segments (Continued)

For the year ended 31st December 2001

	Property investment, development and sales HK\$	Financial services HK\$	Toll road investment HK\$	Investment holdings and others HK\$	Group HK\$
Capital expenditure	42,678,915	187,342	–	271,294	43,137,551
Depreciation					2,618,095
Impairment charge of other properties (note 14(a))					9,947,756

For the year ended 31st December 2000

	Property investment, development and sales HK\$	Financial services HK\$	Toll road investment HK\$	Investment holdings and others HK\$	Group HK\$
Turnover	45,756,601	66,720,750	19,815,307	35,772,907	168,065,565
Other revenues	3,966,170	–	38,139	1,300,567	5,304,876
Total revenues	49,722,771	66,720,750	19,853,446	37,073,474	173,370,441
Segment results	(65,568,674)	2,154,737	19,777,473	2,336,400	(41,300,064)
Unallocated costs					(1,376,614)
Operating loss					(42,676,678)
Finance costs					(4,189,195)
Share of profits of					
– Jointly controlled entities	–	2,994,461	–	–	2,994,461
– Associates	–	–	14,353,424	–	14,353,424
Loss before taxation					(29,517,988)
Taxation	(1,682,834)	(6,235,911)	–	–	(7,918,745)
Loss after taxation					(37,436,733)
Minority interests					(1,743,197)
Loss attributable to shareholders					(39,179,930)

2. TURNOVER AND SEGMENT REVENUE INFORMATION (Continued)

Primary reporting format – business segments (Continued)

For the year ended 31st December 2000

	Property investment, development and sales HK\$	Financial services HK\$	Toll road investment HK\$	Investment holdings and others HK\$	Group HK\$
Segment assets	201,981,184	204,741,198	115,541,104	188,962,761	711,226,247
Investments in jointly controlled entities	39,681,024	400,639,352	–	–	440,320,376
Investments in associates	4,590,739	–	86,882,499	–	91,473,238
Unallocated assets					57,367,239
Total assets					1,300,387,100
Segment liabilities	37,022,057	129,650,008	5,679,646	11,578,868	183,930,579
Unallocated liabilities					49,734,020
Total liabilities					233,664,599
Capital expenditure	2,114,820	777,608	–	1,950,742	4,843,170
Depreciation					2,958,856
Impairment charge of other properties					–

2. TURNOVER AND SEGMENT REVENUE INFORMATION (Continued)

Secondary reporting format - geographical segments

For the year ended 31st December 2001				
	Turnover HK\$	Operating profit/(loss) HK\$	Total assets HK\$	Capital expenditure HK\$
Hong Kong	62,557,229	(36,336,926)	453,410,226	43,085,476
Mainland China	51,939,555	65,713,605 (note 15(a))	296,976,001	50,444
Macau	9,726,420	3,411,145	51,896,654	1,631
	<u>124,223,204</u>	<u>32,787,824</u>	802,282,881	<u>43,137,551</u>
Investment in jointly controlled entities			437,368,943	
Investment in associates			<u>91,930,847</u>	
			<u>1,331,582,671</u>	
For the year ended 31st December 2000				
	Turnover HK\$	Operating profit/(loss) HK\$	Total assets HK\$	Capital expenditure HK\$
Hong Kong	86,049,140	(72,285,235)	308,788,381	4,123,287
Mainland China	71,207,934	28,169,108	393,784,932	693,983
Macau	10,808,491	1,439,449	66,020,173	25,900
	<u>168,065,565</u>	<u>(42,676,678)</u>	768,593,486	<u>4,843,170</u>
Investment in jointly controlled entities			440,320,376	
Investment in associates			<u>91,473,238</u>	
			<u>1,300,387,100</u>	

There are no sales or other transactions between the business and geographical segments.

3. OTHER REVENUES

	2001 HK\$	2000 HK\$
Dividend income from listed investments	325,636	246,973
Gain on disposal of a subsidiary (<i>note 15(a)</i>)	62,017,992	–
Forfeiture of rental deposits received	1,411,180	–
Gain on settlement of land use arrangement	–	3,966,170
Others	–	1,091,733
	63,754,808	5,304,876

4. NET COMMISSIONS, CLAIMS AND OTHER EXPENSES INCURRED ON INSURANCE BUSINESS

	2001 HK\$	2000 HK\$
Gross commissions payable	23,916,977	26,906,089
Less: Commissions receivable from reinsurers	(3,779,548)	(5,286,785)
Net commissions payable	20,137,429	21,619,304
Gross claims incurred	24,331,355	23,702,111
Less: Claims (recovered from)/refunded to reinsurers	(2,020,487)	8,347,875
Net claims incurred	22,310,868	32,049,986
Claims handling expenses	2,429,504	3,416,343
	44,877,801	57,085,633

5. OTHER PROVISIONS AND LOSSES

	2001 HK\$	2000 HK\$
Net realised and unrealised losses in trading securities	3,052,298	1,082,447
Loss on disposal of investment properties	1,664,665	–
Deficit on revaluation of investment properties	12,821,947	9,413,935
Impairment of other properties	4,491,441	–
Provision for advance to an unrelated company (note 19)	6,450,000	–
Provision for loans to and amounts due from jointly controlled entities and associates	10,500,180	66,767,677
Others	532,360	–
	39,512,891	77,264,059

6. OTHER OPERATING EXPENSES

Other operating expenses is net of an amount of HK\$3,830,235 (2000: Nil) which represents the write back of provisions for renovation cost and other expenses of a subsidiary in Beijing which has ceased operation.

7. OPERATING PROFIT/(LOSS)

	Group	
	2001 HK\$	2000 HK\$
Operating profit/(loss) is stated after crediting and charging the following:		
<i>Crediting:</i>		
Net exchange gains	–	727,402
<i>Charging:</i>		
Depreciation	2,618,095	2,958,856
Loss on disposal of fixed assets	307,477	98,588
Net exchange losses	96,655	–
Operating lease rentals in respect of land and buildings	941,219	1,405,447
Auditors' remuneration	2,104,534	1,932,994
Management fee (note 35(b))	1,880,000	2,633,672
Retirement benefit costs (a)	842,413	1,206,184

7. OPERATING PROFIT/(LOSS) (Continued)

- (a) The Group contributed to a defined contribution scheme, which was available to all eligible employees. The assets of the scheme were held separately from those of the Group in an independently administered fund. Contributions to the scheme by the Group and employees were calculated at 15% of the employees' basic salary until 30th November 2000 when the scheme was replaced by a mandatory provident fund scheme ("MPF Scheme") set up under the Mandatory Provident Fund Schemes Ordinance.

The Group's monthly contributions (mandatory and voluntary) to the MPF Scheme for each employee is calculated as the lower of HK\$2,000 or 10% (or 6% for employees who joined after 30th September 2000) of the monthly basic salary. The Group's contributions to the MPF Scheme can be reduced by the Group's voluntary contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. At 31st December 2001, there were no material unutilised forfeited contributions.

8. FINANCE COSTS

	Group	
	2001 HK\$	2000 HK\$
Interest on bank loans	719,502	3,218,282
Interest on other loans wholly repayable within five years	364,198	970,913
	1,083,700	4,189,195

9. SENIOR EXECUTIVES' EMOLUMENTS

- (a) Directors' emoluments

	2001 HK\$	2000 HK\$
Fees	369,233	428,088
Salaries, housing and other allowances, and benefits in kind	43,000	1,554,654
Bonuses paid by a subsidiary	3,000,000	—
	3,412,233	1,982,742

9. SENIOR EXECUTIVES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

The emoluments were paid to the directors as follows:

Emoluments Band	Number of Directors	
	2001	2000
HK\$ Nil – HK\$1,000,000	3	6
HK\$1,000,001 – HK\$1,500,000	3	–
HK\$1,500,001 – HK\$2,000,000	–	1

Emoluments paid to independent non-executive directors amounted to HK\$260,000 during the year (2000: HK\$274,754).

See also note 35(b) for the management fee paid.

(b) Other senior executives' emoluments

The analysis in note (a) above does not include those individuals who are not directors but whose emoluments were among the five highest in the Group. Details of the emoluments paid to those individuals are as follows:

	2001	2000
	HK\$	HK\$
Salaries, housing and other allowances, and benefits in kind	1,945,966	3,622,717
Contributions to retirement benefit scheme	24,000	184,420
	1,969,966	3,807,137

Emoluments Band	Number of Individuals	
	2001	2000
HK\$ Nil – HK\$1,000,000	1	3
HK\$1,000,001 – HK\$1,500,000	1	1

10. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year. Taxation on Mainland China and Macau profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in Mainland China and Macau.

	Group	
	2001 HK\$	2000 HK\$
Company and subsidiaries:		
Hong Kong profits tax	124,742	26,580
Mainland China taxation	2,154,765	1,634,561
Macau taxation	280,000	460,000
	2,559,507	2,121,141
(Over)/under provision in prior years:		
Hong Kong profits tax	–	21,693
Macau taxation	(178,998)	(6,513)
	(178,998)	15,180
	2,380,509	2,136,321
Jointly controlled entities:		
PRC taxation	5,465,321	5,782,424
	7,845,830	7,918,745
Deferred taxation for the year has not been (credited)/provided in respect of the following:		
Accelerated depreciation allowances	(145,421)	117,802
Unutilised tax losses	56,631	1,024,612
	(88,790)	1,142,414

11. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit/(loss) attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$14,567,235 (2000: a loss of HK\$8,824,913).

12. DIVIDEND

	2001	2000
	HK\$	HK\$
1999 final dividend, proposed and paid, of 4 cents per share	–	18,377,146

The previously recorded final dividend proposed and declared after the balance sheet date but accrued in the accounts for the year ended 31st December 1999 was HK\$18,377,146. Under the Group's new accounting policy as described in Note 1(a), this has been written back against opening reserves as at 1st January 2000 (*note 30*) and is now charged in the year in which it was declared.

13. EARNINGS/(LOSS) PER SHARE

The calculation of earnings/(loss) per share is based on profit attributable to shareholders of HK\$67,267,716 (*2000: a loss of HK\$39,179,930*) and the weighted average number of 459,428,656 (*2000: 459,427,672*) shares in issue during the year.

14. FIXED ASSETS

Group

	Investment properties HK\$	Other properties HK\$	Furniture, fixtures, office and computer equipment HK\$	Motor vehicles HK\$	Total HK\$
Cost or valuation					
At 1st January 2001	101,299,427	67,068,724	9,701,267	4,814,975	182,884,393
Translation differences	(18)	(3)	(2)	24	1
Additions	42,678,915	–	458,636	–	43,137,551
Revaluation	(12,821,947)	–	–	–	(12,821,947)
Disposals	(4,690,000)	(124,624)	(1,085,048)	(436,787)	(6,336,459)
At 31st December 2001	126,466,377	66,944,097	9,074,853	4,378,212	206,863,539
Accumulated depreciation and impairment losses					
At 1st January 2001	–	7,707,120	3,658,880	3,155,691	14,521,691
Translation differences	–	–	1	–	1
Charge for the year	–	1,306,235	1,024,173	287,687	2,618,095
Impairment charge (a)	–	9,947,756	–	–	9,947,756
Disposals	–	(12,151)	(680,406)	(64,438)	(756,995)
At 31st December 2001	–	18,948,960	4,002,648	3,378,940	26,330,548
Net book value					
At 31st December 2001	126,466,377	47,995,137	5,072,205	999,272	180,532,991
At 31st December 2000	101,299,427	59,361,604	6,042,387	1,659,284	168,362,702

- (a) Impairment loss of HK\$5,456,315 (*note 30*) has been debited to other properties revaluation reserve and the balance of HK\$4,491,441 (*note 5*) was charged to the profit and loss account.

14. FIXED ASSETS (Continued)

Company

	Investment properties HK\$	Other properties HK\$	Furniture, fixtures, office and computer equipment HK\$	Motor vehicles HK\$	Total HK\$
Cost or valuation					
At 1st January 2001	27,119,427	4,329,300	3,253,632	3,771,204	38,473,563
Translation differences	(12)	–	(5)	–	(17)
Additions	–	–	220,850	–	220,850
Revaluation	(4,974,856)	–	–	–	(4,974,856)
Disposals	–	–	(217,111)	–	(217,111)
At 31st December 2001	22,144,559	4,329,300	3,257,366	3,771,204	33,502,429
Accumulated depreciation and impairment losses					
At 1st January 2001	–	95,837	1,037,867	2,947,047	4,080,751
Translation differences	–	–	(3)	–	(3)
Charge for the year	–	46,850	314,152	164,831	525,833
Impairment charge	–	1,136,613	–	–	1,136,613
Disposals	–	–	(199,947)	–	(199,947)
At 31st December 2001	–	1,279,300	1,152,069	3,111,878	5,543,247
Net book value					
At 31st December 2001	22,144,559	3,050,000	2,105,297	659,326	27,959,182
At 31st December 2000	27,119,427	4,233,463	2,215,765	824,157	34,392,812

14. FIXED ASSETS (Continued)

The net book value of investment properties and other properties is analysed as follows:

	Group		Company	
	Investment properties HK\$	Other properties HK\$	Investment properties HK\$	Other properties HK\$
Held in Hong Kong				
On long-term lease (over 50 years)				
At professional valuation 1992	–	39,500,000	–	–
At professional valuation 2001	47,500,000	–	–	–
At net book value	–	6,550,000	–	3,050,000
On medium-term lease (10 - 50 years)				
At professional valuation 2001	27,500,000	–	–	–
Held outside Hong Kong				
Freehold				
At net book value	–	284,800	–	–
On long-term lease (over 50 years)				
At professional valuation 2001	321,819	–	–	–
At net book value	–	1,547,175	–	–
On medium-term lease (10 - 50 years)				
At professional valuation 2001	51,144,558	–	22,144,559	–
At net book value	–	113,162	–	–
	126,466,377	47,995,137	22,144,559	3,050,000

The investment properties were revalued on an open market value basis at 31st December 2001 by independent professional valuers, namely, Chesterton Petty Limited in Hong Kong and Fujian Huaxing Certified Public Accountants Ltd. in Mainland China.

The valuation of certain other properties was carried out by an independent professional valuer, Chesterton Petty Limited, on an open market value basis at 31st December 1992.

The carrying amount of the other properties of the Group would have been HK\$28,980,998 (2000: HK\$34,254,001) had they been stated at cost less accumulated depreciation.

The title deeds in respect of the investment properties held by a subsidiary in Hong Kong are placed in the custody of the Office of the Commissioner of Insurance.

One of the other properties of the Group which has been pledged to a bank as security for the Group's banking facilities was released during the year.

15. SUBSIDIARIES

	Company	
	2001 HK\$	2000 HK\$
Unlisted shares, at cost	96,462,914	105,763,490
Amounts due from subsidiaries	362,266,390	419,633,790
Amounts due to subsidiaries	(71,865,901)	(79,276,969)
	386,863,403	446,120,311
Less: Provisions	(191,022,606)	(118,273,202)
	195,840,797	327,847,109

As of 31st December 2001, an amount of RMB6 million (2000: RMB6 million) has been advanced to a non-wholly owned subsidiary, on normal commercial terms, for the purpose of financing a property project. The loan was unsecured, bearing interest at 8% per annum and was fully repaid subsequent to the balance sheet date.

Except for the above, the amounts due from/to subsidiaries have no fixed terms for repayment and interest is charged at the discretion of the holding company.

The following is a list of the subsidiaries at 31st December 2001 which principally affect the results and assets of the Group:

Name	Place of incorporation/ operation	Principal activities	Nominal value of issued ordinary share capital/ registered capital	Group equity interest
[^] * Beijing Minxin Ferdinand Property Management Co., Ltd.	The People's Republic of China	Property letting and subletting	US\$6,000,000 [#]	51%
Crown Land International Limited	Hong Kong	Investment holding	HK\$10,000	100%
@ Dorfine Development Limited	Hong Kong	Property investment	HK\$2	100%
[^] * Jinan Pacific Real Estate Development Co., Ltd.	The People's Republic of China	Property development and property sale	RMB13,881,160 [#]	51%

15. SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Principal activities	Nominal value of issued ordinary share capital/ registered capital	Group equity interest
@ Min Xin (China) Investment Limited	British Virgin Islands	Investment holding	US\$1	100%
@ Minxin Ferdinand Investments Limited	Hong Kong	Investment holding	HK\$5,000,000	51%
@ Min Xin Infrastructure Limited	British Virgin Islands	Investment holding	US\$1	100%
@ Min Xin Insurance Company Limited	Hong Kong	Insurance	HK\$55,000,000	100%
Min Xin Insurance Consultants Limited	Hong Kong	Insurance agent	HK\$2	100%
Min Xin Properties Limited	Hong Kong	Investment holding	HK\$5,000,000	100%
Min Xin (Zhangzhou) Investments Limited	British Virgin Islands	Investment holding	US\$240,000 'A' shares US\$120,000 'B' shares	91.7% 100%
@ Sharp Star Limited	Hong Kong	Property investment	HK\$2	100%
Shining Gold Limited	British Virgin Islands	Investment holding	US\$1	100%
Wide Exposure Developments Limited	British Virgin Islands	Investment holding	US\$1	100%
@ Take Chance Company Limited	Hong Kong	Property investment	HK\$2	100%
@ Welljet Development Limited	Hong Kong	Property investment	HK\$2	100%

Note (a) During the year, the Group disposed of its interest in a subsidiary, Hangzhou Minxin Real Estate Development Company Limited (a wholly owned foreign enterprise in Mainland China), which holds the land use right in Hangzhou City (*note 18(b)*) and certain bank balance (*note 24(b)*) to an independent third party for a cash consideration equivalent to approximately HK\$94 million. The transaction generated a gain of HK\$62 million to the Group.

15. SUBSIDIARIES (Continued)

[^] Equity joint venture in Mainland China.

^{*} Companies not audited by PricewaterhouseCoopers. The Group's result before taxation attributable to these companies amounted to profit of HK\$11,516,450 (2000: HK\$1,510,994).

[@] Subsidiaries held directly by the Company.

[#] Registered and paid up capital

16. JOINTLY CONTROLLED ENTITIES

	Group	
	2001 HK\$	2000 HK\$
Share of net assets	428,217,416	399,397,927
Loans to jointly controlled entities	114,470,242	135,398,864
Amounts due from jointly controlled entities	51,257,197	52,424,101
	165,727,439	187,822,965
Less: Provisions	(156,575,912)	(146,900,516)
	9,151,527	40,922,449
	437,368,943	440,320,376
Unlisted investments, at cost	210,805,000	210,805,000

	Company	
	2001 HK\$	2000 HK\$
Unlisted investments, at cost	210,805,000	210,805,000
Loans to jointly controlled entities	114,470,242	135,398,864
Amounts due from jointly controlled entities	51,135,520	52,289,101
	376,410,762	398,492,965
Less: Provisions	(148,216,990)	(140,836,995)
	228,193,772	257,655,970

There is no goodwill in the accounts of the Group's jointly controlled entities.

16. JOINTLY CONTROLLED ENTITIES (Continued)

The Group's share of profits less losses retained (net of dividends paid and transfer to/from other reserves) for the year of the jointly controlled entities amounted to HK\$4,487,616 (2000: HK\$6,577,775).

The loans to and amounts due from jointly controlled entities have no fixed terms for repayment and an amount of HK\$1,699,567 (2000: HK\$11,103,000) of which bears interest at Hong Kong dollar prime rate plus 3.5% (2000: Hong Kong dollar prime rate plus 3.5%) while the remaining balance bears interest at 12% per annum (2000: 12%). During the year, interest income from loans to jointly controlled entities amounted to HK\$1,101,198 (2000: HK\$15,546,666).

The following is a list of the principal jointly controlled entities at 31st December 2001:

Name	Place of incorporation/ operation	Principal activities	Group's attributable interest in ownership/ profit sharing
@MT Finance Limited	Hong Kong	Money lending	50%
@Westly Limited, and its subsidiary	Hong Kong	Investment holding	50%
Asian Eagle Limited	Hong Kong	Property development	35%
@Xiamen International Bank, and its subsidiaries (a):	The People's Republic of China	Banking	36.75%
Fast Rise Investments Limited	Hong Kong	Property investment	36.75%
Industrial and Commercial International Capital Limited	Hong Kong	Financial services	18.74%
Luso International Banking Limited	Macau	Banking	36.75%
Setwide Investments Limited	Hong Kong	Property investment	36.75%
Silver Win Development Limited	Hong Kong	Property investment	36.75%
Wealth Rise Development Limited	Hong Kong	Property investment	36.75%
XIB Properties Limited	The Republic of Liberia	Property investment	36.75%

16. JOINTLY CONTROLLED ENTITIES (Continued)

- (a) Xiamen International Bank is a major jointly controlled entity directly held by the Company. The Group has a 36.75% interest in ownership and, jointly with a substantial shareholder of the Company, a 47.62% interest in voting power of the Board of directors of the jointly controlled entity. The 2001 consolidated balance sheet and profit and loss account of Xiamen International Bank extracted from its statutory accounts are set out in the Appendix 2 of the Company's 2001 annual report as supplementary information.

@ Jointly controlled entities directly held by the Company.

17. ASSOCIATES

	Group	
	2001 HK\$	2000 HK\$
Share of net assets	25,763,090	17,887,994
Loans to associates	75,628,029	82,225,541
Amount due from an associate	106,374	101,565
	75,734,403	82,327,106
Less: Provisions	(9,566,646)	(8,741,862)
	66,167,757	73,585,244
	91,930,847	91,473,238
Unlisted investments, at cost	6,285,803	6,285,803

	Company	
	2001 HK\$	2000 HK\$
Unlisted investments, at cost	—	—

There is no goodwill in the accounts of the Group's associates.

The Group's share of profits less losses retained (net of dividends paid and transfer to other reserves) for the year of the associates amounted to HK\$7,710,488 (2000: HK\$10,895,962).

17. ASSOCIATES (Continued)

The loans to and amount due from associates are interest free (2000: *Interest free*) and have no fixed terms for repayment except for an amount of RMB1,520,000 (2000: *Nil*) which bears interest at normal commercial rates and is repayable in two years from the drawdown date.

The following is a list of the principal associates at 31st December 2001:

Name	Place of incorporation/ operation	Principal activities	Group equity interest
* Chang Xin International Real Estate Development Co., Ltd.	The People's Republic of China	Property development	20%
* Maanshan Huan Tung Highway Development Limited	The People's Republic of China	Infrastructure	21% @
* Ningbo Nickwell Highway Development Company Limited	The People's Republic of China	Infrastructure	26% #
* Ningbo Raytek Highway Development Company Limited	The People's Republic of China	Infrastructure	26% #
* Ningbo Wise Link Highway Development Company Limited	The People's Republic of China	Infrastructure	26% #
* Promise Good Limited	British Virgin Islands	Investment holding	40%
* Vigorous Developments Limited	British Virgin Islands	Investment holding	30%

* Companies not audited by PricewaterhouseCoopers. The Group's result before taxation attributable to these companies amounted to profit of HK\$12,844,264 (2000: HK\$12,857,522).

@ The profit sharing attributable to the Group commenced from January 2000 is 24% for the first five years, 18% for the second five years and 21% for the remaining fifteen years.

The profit sharing attributable to the Group commenced from August 1998 is 32% for the first five years, 20% for the second five years and 26% for the remaining fifteen years.

18. OTHER INVESTMENTS

	Group	
	2001 HK\$	2000 HK\$
Outside Hong Kong		
Co-operative venture (a)	–	111,527,257
Land use right (b)	–	29,324,544
	–	140,851,801

- (a) In August 1996, a subsidiary, Min Xin (Zhangzhou) Investments Limited (“Min Xin Zhangzhou”), entered into a venture agreement with an independent third party (“PRC Partner”) for the setting up of a Sino-foreign co-operative venture (“Zhangzhou venture”) in Zhangzhou City, Fujian Province, The People’s Republic of China. The principal activity of Zhangzhou venture was the operation of a toll road. Zhangzhou venture was valid for a period of fifteen years from the date of issue of the business licence. Under the venture agreement, Min Xin Zhangzhou was entitled to nominate directors representing a majority of the board. Pursuant to a management contract entered into between the PRC Partner, Min Xin Zhangzhou and Zhangzhou venture, the PRC Partner was appointed to manage the business operation of Zhangzhou venture.

Both the total investment and registered capital of Zhangzhou venture were US\$29.88 million (approximately HK\$233 million). In accordance with the venture agreement, the Group contributed US\$12 million (approximately HK\$94 million) to the capital of Zhangzhou venture and was entitled to receive cash distributions totalling US\$21.57 million (approximately HK\$168 million) during the six years period from the date of the capital contribution made by Min Xin Zhangzhou, but would not be entitled to the profit or net assets of the Zhangzhou venture. In April 1997, Min Xin Zhangzhou entered into a supplemental venture agreement with the PRC Partner to acquire from the PRC Partner an additional interest in the capital of Zhangzhou venture for US\$6 million (approximately HK\$47 million), and as a result Min Xin Zhangzhou was entitled to receive additional cash distributions totalling US\$12.96 million (approximately HK\$101 million) during the eight years period from the date of the additional investment made by Min Xin Zhangzhou.

Under the venture agreement, Min Xin Zhangzhou’s interest in Zhangzhou venture would be transferred to the PRC Partner at a consideration of US\$1 once it has received all the cash distributions.

Min Xin Zhangzhou has received the scheduled cash distributions from commencement of the venture upto March 2001 totalling US\$17.01 million (approximately HK\$132.61 million). In September 2001, an agreement was entered into between Min Xin Zhangzhou, the PRC Partner and an independent third party whereby Min Xin Zhangzhou agreed to transfer its entire interest in the Zhangzhou venture for a consideration of US\$12.7 million (approximately HK\$99 million). Income from the co-operative venture forgone by the Group for the year amounted to US\$1.25 million (approximately HK\$9.7 million). The amount of consideration represents the Group’s investment cost in the co-operative venture less capital repayment received.

- (b) The land use right has been disposed of during the year (note 15(a)).

19. OTHER ASSET

	Group and Company	
	2001 HK\$	2000 HK\$
Advance to an unrelated company	64,500,000	64,500,000
Less: Provision	(6,450,000)	—
	58,050,000	64,500,000

The advance which carries interest at 14% (2000: 14%) per annum with a management fee of 4% (2000: 4%) per annum calculated on the outstanding balance, is secured by certain units of a building in Fuzhou, Mainland China.

During the year, the Company took legal action against the borrower for settlement of the loan which was not repaid as originally scheduled. On 26th January 2001, a court order was granted to confirm the Company's right to foreclose the secured units of the building. The Company is currently in the process of executing the court order and the directors, based on valuation reports obtained, considered that a provision of HK\$6,450,000 against the advance is adequate.

During the year, interest income of HK\$303,431 (2000: HK\$4,246,132) and management fee of HK\$86,695 (2000: HK\$1,213,181) have been received and accounted for in the profit and loss account.

20. PROPERTIES HELD FOR SALE

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Properties under development, at cost	4,583,978	12,873,822	—	—
Completed properties, at cost	41,339,139	31,789,679	—	—
	45,923,117	44,663,501	—	—

21. SHORT TERM LOAN

The advance represents a loan granted to a jointly controlled entity on behalf of its other shareholder. The loan which carries interest at 3.5% above Hong Kong dollar prime rate per annum, is secured by the other shareholder's shares in and loan to the jointly controlled entity and is repayable on demand.

22. INSURANCE DEBTORS

The majority of the insurance debtors is on open account basis with the credit terms, including whether guarantees from third parties are required, determined by senior management.

At 31st December 2001, the ageing analysis of the insurance debtors was as follows:

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Current	3,536,350	4,984,498	–	–
30-60 days	4,958,808	5,656,298	–	–
60-90 days	3,362,575	5,193,475	–	–
Over 90 days	4,669,725	7,300,836	–	–
	16,527,458	23,135,107	–	–

23. TRADING SECURITIES

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Equity securities, listed in Hong Kong at market value	11,914,115	10,131,997	7,539,758	4,683,056
Equity linked notes, unlisted	2,500,000	–	2,500,000	–
	14,414,115	10,131,997	10,039,758	4,683,056

24. CASH AND BANK BALANCES

Included in cash and bank balances are :

- (a) deposits with jointly controlled financial institutions totalling HK\$184,617,452 (2000: HK\$147,168,348) for the Group and HK\$168,681,138 (2000: HK\$127,195,930) for the Company. The deposits carry interest at normal commercial rates and generated interest income of HK\$5,879,943 (2000: HK\$7,950,781) to the Group for the year.
- (b) deposits of a former subsidiary, Hangzhou Minxin Real Estate Development Co., Ltd. ("HZMX") with certain banks in The People's Republic of China totalling RMB24.6 million (equivalent to HK\$23.1 million) where HZMX has disputes with the banks concerned. The banks claim that some of these deposits have already been uplifted or are designated deposits for onlending to third parties. Legal proceedings have been taken by HZMX to recover those deposits and a provision of RMB12.2 million (equivalent to HK\$11.4 million) was made in 1998. In 1999, RMB5.7 million (equivalent to HK\$5.3 million) of the deposits was written off against the provision and RMB2.3 million (equivalent to HK\$2.2 million) was recovered.

The remaining deposits at 31st December 2000 amounted to RMB16.6 million (equivalent to HK\$15.6 million), against which a provision of RMB6.5 million (equivalent to HK\$6.1 million) was made in 1998. As mentioned in note 15(a), the Group's interest in HZMX including the bank deposits in dispute was disposed of in March 2001.

- (c) deposits of RMB142,337,338 (equivalent to HK\$134,092,875) are placed with certain banks in Mainland China (At 31st December 2000: RMB44,251,790, equivalent to HK\$41,689,169).

In accordance with a request from The Commissioner of Insurance, one subsidiary maintains at all times a portion of its funds, being not less than HK\$16 million (2000: HK\$16 million), in fixed deposits.

25. INSURANCE LIABILITIES

At 31st December 2001, the ageing analysis of the insurance liabilities was as follows:

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Current	2,442,337	3,712,034	—	—
30-60 days	1,957,471	2,119,674	—	—
60-90 days	1,670,250	2,083,845	—	—
Over 90 days	2,500,466	2,529,661	—	—
	8,570,524	10,445,214	—	—

26. LOANS

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Current portion of long term loans (note 27)				
Bank loan – secured	–	11,230,128	–	–
Other loan – unsecured	–	7,174,804	–	7,174,804
	–	18,404,932	–	7,174,804

27. LONG TERM LIABILITIES

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Bank loan – secured	–	34,626,228	–	–
Other loan – unsecured	–	7,174,804	–	7,174,804
	–	41,801,032	–	7,174,804
Less: Amounts due within one year included under current liabilities (note 26)	–	(18,404,932)	–	(7,174,804)
	–	23,396,100	–	–

The bank loan and other loan were fully repaid during the year.

The maturity profile of the bank loan and other loan is as follows:

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
– within one year	–	18,404,932	–	7,174,804
– in the second year	–	14,973,504	–	–
– in the third to fifth year inclusive	–	8,422,596	–	–
	–	41,801,032	–	7,174,804

28. DEFERRED TAXATION

The potential asset/(liability) for deferred taxation for which no provision has been made in the accounts amounts to:

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Accelerated depreciation allowances	(786,172)	(931,593)	(396,928)	(432,879)
Unutilised tax losses	9,872,844	9,929,475	5,026,885	5,882,966
	9,086,672	8,997,882	4,629,957	5,450,087

The revaluation of properties, other than those held by the Group in Mainland China, does not constitute a timing difference for deferred tax purposes as realisation of the revaluation surplus would not result in a tax liability.

29. SHARE CAPITAL

Authorised		
Ordinary shares of HK\$1 each		
	No. of shares	HK\$
At 31st December 2000 and 31st December 2001	800,000,000	800,000,000
Issued and fully paid		
Ordinary shares of HK\$1 each		
	No. of shares	HK\$
At 1st January 2000	459,308,567	459,308,567
Exercise of warrants	120,089	120,089
At 31st December 2000, 1st January 2001 and 31st December 2001	459,428,656	459,428,656

30. RESERVES

Group

	Share premium	Capital redemption reserve	Statutory reserve	Reserve fund	General reserve	Investment revaluation reserve	Other properties revaluation reserve	Exchange translation reserve	Retained profit/ Capital (accumulated loss)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January 2000										
– as originally stated	384,202,922	47,086,000	29,553,924	34,220,367	105,107,740	5,982,610	29,637,416	3,038,986	27,685,473	(20,763,782) 645,751,656
– prior period adjustment on proposed dividend (note 12)	–	–	–	–	–	–	–	–	–	18,377,146 18,377,146
At 1st January 2000, as restated	384,202,922	47,086,000	29,553,924	34,220,367	105,107,740	5,982,610	29,637,416	3,038,986	27,685,473	(2,386,636) 664,128,802
Premium on issue of new shares	417,492	–	–	–	–	–	–	–	–	– 417,492
Change in fair value of non-trading securities	–	–	–	–	–	616,395	–	–	–	– 616,395
Exchange translation differences	–	–	–	–	1,511	–	–	(313,279)	–	– (311,768)
Loss attributable to shareholders	–	–	–	–	–	–	–	–	–	(39,179,930) (39,179,930)
Transfers	–	–	–	–	(9,187,501)	–	–	–	–	9,187,501 –
1999 final dividend declared during the year (note 12)	–	–	–	–	–	–	–	–	–	(18,377,146) (18,377,146)
At 31st December 2000 and 1st January 2001	384,620,414	47,086,000	29,553,924	34,220,367	95,921,750	6,599,005	29,637,416	2,725,707	27,685,473	(50,756,211) 607,293,845
Impairment charge	–	–	–	–	–	–	(5,456,315)	–	–	– (5,456,315)
Change in fair value of non-trading securities	–	–	–	–	–	1,900,381	–	–	–	– 1,900,381
Amounts released to profit and loss account on disposal of subsidiaries	–	–	–	–	–	–	–	(1,460,667)	–	– (1,460,667)
Reserves released on disposal of subsidiaries	–	–	–	–	(405,752)	–	–	–	–	405,752 –
Exchange translation differences	–	–	–	–	30	–	–	(3,773)	–	– (3,743)
Profit attributable to shareholders	–	–	–	–	–	–	–	–	–	67,267,716 67,267,716
Transfers (Net)	–	–	(376,097)	1,251,365	21,921,115	–	–	–	–	(22,796,383) –
Capitalisation of reserves by a jointly controlled entity	–	–	–	(35,471,732)	(30,678,268)	–	–	–	66,150,000	– –
At 31st December 2001	384,620,414	47,086,000	29,177,827	–	86,758,875	8,499,386	24,181,101	1,261,267	93,835,473	(5,879,126) 669,541,217

30. RESERVES (Continued)

Group

	Share premium	Capital redemption reserve	*Statutory reserve	*Reserve fund	*General reserve	Investment revaluation reserve	Other properties revaluation reserve	Exchange translation reserve	*Capital reserve	Retained profit/ (accumulated loss)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Company and subsidiaries	384,620,414	47,086,000	-	-	200,395	-	24,181,101	1,343,557	2,051,754	(26,905,389)	432,577,832
Jointly controlled entities	-	-	29,177,827	-	86,057,752	8,499,386	-	-	96,174,616	(2,497,167)	217,412,414
Associates	-	-	-	-	500,728	-	-	(82,290)	(4,390,897)	23,523,430	19,550,971
At 31st December 2001	384,620,414	47,086,000	29,177,827	-	86,758,875	8,499,386	24,181,101	1,261,267	93,835,473	(5,879,126)	669,541,217
Company and subsidiaries	384,620,414	47,086,000	-	-	405,721	-	29,637,416	2,808,108	2,051,754	(59,584,370)	407,025,043
Jointly controlled entities	-	-	29,553,924	34,220,367	95,179,798	6,599,005	-	-	30,024,616	(6,984,783)	188,592,927
Associates	-	-	-	-	336,231	-	-	(82,401)	(4,390,897)	15,812,942	11,675,875
At 31st December 2000	384,620,414	47,086,000	29,553,924	34,220,367	95,921,750	6,599,005	29,637,416	2,725,707	27,685,473	(50,756,211)	607,293,845

* The statutory reserve attributable to the jointly controlled entities is set aside in accordance with the relevant statutory requirements. The reserve fund attributable to the jointly controlled entities is set aside for paying up the unpaid registered capital and is not available for distribution. The general reserve is transferred from retained earnings and is available for general use. The capital reserve represents reserve arising from consolidation of subsidiaries, associates and jointly controlled entities acquired and capitalisation of reserves by a jointly controlled entity.

30. RESERVES (Continued)

Company

	Share premium HK\$	Capital redemption reserve HK\$	Investment property revaluation reserve HK\$	Retained profit/ (accumulated loss) HK\$	Total HK\$
At 1st January 2000					
– as originally stated	384,202,922	47,086,000	373,551	21,203,276	452,865,749
– prior period adjustment on 1999 final dividend proposed by a subsidiary/ jointly controlled entity (note 1(a))	–	–	–	(34,623,238)	(34,623,238)
– prior period adjustment on 1999 final dividend proposed (note 12)	–	–	–	18,377,146	18,377,146
At 1st January 2000, as restated	384,202,922	47,086,000	373,551	4,957,184	436,619,657
Premium on issue of new shares	417,492	–	–	–	417,492
Deficit on revaluation of properties	–	–	(3,794,345)	–	(3,794,345)
Reserve realised upon disposal of investment property	–	–	7,116,329	–	7,116,329
Loss for the year, as restated *	–	–	–	(8,824,913)	(8,824,913)
1999 final dividend declared during the year (note 12)	–	–	–	(18,377,146)	(18,377,146)
At 31st December 2000 as restated	384,620,414	47,086,000	3,695,535	(22,244,875)	413,157,074

* The loss of the Company for 2000 which was previously reported at HK\$37,598,151 has been restated following the adoption by the Company of the new accounting policy on dividend recognition (note 1(a)(i)). The restated loss of the Company for 2000 of HK\$8,824,913 is arrived at after including the proposed final dividends of HK\$34,623,238 from a subsidiary and a jointly controlled entity which were previously recognised in the Company's 1999 profit and loss account, and excluding the proposed final dividend of HK\$5,850,000 from a subsidiary which was previously recognised in the Company's 2000 profit and loss account. The proposed final dividend of HK\$5,850,000 from the subsidiary is now recognised in the Company's 2001 profit and loss account.

30. RESERVES (Continued)

Company

	Share premium HK\$	Capital redemption reserve HK\$	Investment property revaluation reserve HK\$	Retained profit/ (accumulated loss) HK\$	Total HK\$
At 1st January 2001					
– as originally stated	384,620,414	47,086,000	3,695,535	(16,394,875)	419,007,074
– prior period adjustment on 2000 final dividend proposed by a subsidiary	–	–	–	(5,850,000)	(5,850,000)
At 1st January 2001, as restated	384,620,414	47,086,000	3,695,535	(22,244,875)	413,157,074
Deficit on revaluation of properties	–	–	(3,695,535)	–	(3,695,535)
Loss for the year	–	–	–	(14,567,235)	(14,567,235)
At 31st December 2001	384,620,414	47,086,000	–	(36,812,110)	394,894,304

As at 31st December 2001, the Company had no distributable reserves as calculated under section 79B of the Companies Ordinance (2000: Nil).

31. CONTINGENT LIABILITIES

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Banking facilities guarantees (a)	57,300,000	57,300,000	57,300,000	104,092,200
Other guarantees (b)	6,940,239	4,618,238	–	–
	64,240,239	61,918,238	57,300,000	104,092,200

31. CONTINGENT LIABILITIES (Continued)

- (a) The Company has given guarantees for general banking facilities granted to a jointly controlled entity to the extent of HK\$57.3 million (2000: HK\$57.3 million granted to a jointly controlled entity and HK\$46.8 million granted to a subsidiary). The banking facilities utilised by the jointly controlled entity were fully repaid during the year. The actual amounts of banking facilities utilised by the subsidiary and the jointly controlled entity at 31 December 2000 were HK\$34,626,228 and HK\$35,381,382 respectively.
- (b) The Group has given guarantees for mortgage loan facilities granted to certain buyers on the properties sold in The People's Republic of China.

32. CAPITAL COMMITMENTS

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Authorised but not contracted for	2,750,000	2,750,000	2,750,000	2,750,000
Contracted but not provided for	236,574	515,292	156,187	156,189
	2,986,574	3,265,292	2,906,187	2,906,189
The Group's share of capital commitments of the jointly controlled entities are as follows:				
Authorised but not contracted for	–	10,999	–	–
Contracted but not provided for	1,943,754	2,702,595	–	–
	1,943,754	2,713,594	–	–

33. LEASE COMMITMENTS

(a) As lessee

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

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Land and buildings				
Within one year	306,920	1,255,316	1,178,800	950,550
In the second to fifth year inclusive	201,032	518,998	201,032	483,200
	507,952	1,774,314	1,379,832	1,433,750

(b) As lessor

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

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Land and buildings				
Within one year	3,582,728	3,115,668	—	—
In the second to fifth year inclusive	676,917	3,502,188	—	—
	4,259,645	6,617,856	—	—

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a) Reconciliation of profit/(loss) before taxation to net cash inflow/(outflow) from operating activities

	2001 HK\$	2000 HK\$
Profit/(loss) before taxation	77,757,601	(29,517,988)
Share of profits of jointly controlled entities	(32,384,429)	(2,994,461)
Share of profits of associates	(13,669,048)	(14,353,424)
Deficit on revaluation of investment properties	12,821,947	9,413,935
Impairment on other properties	4,491,441	–
Provision for loans to and amounts due from jointly controlled entities and associates	10,500,180	66,767,677
Provision for advance to an unrelated company	6,450,000	–
Depreciation	2,618,095	2,958,856
Gain on sale of subsidiaries	(62,017,992)	–
Loss on sale of fixed assets	307,477	98,588
Loss on disposal of investment properties	1,664,665	–
Increase in amounts due from jointly controlled entities (net)	(13,622,431)	(29,319,367)
Increase in amounts due from associates	(4,809)	(378)
Increase in properties held for sale	(1,259,616)	(11,181,563)
Decrease in deferred acquisition costs	1,480,260	891,397
Decrease in insurance debtors	6,607,649	1,530,206
Decrease in claims recoverable from reinsurers	6,619,855	17,514,554
(Increase)/decrease in other debtors and prepayments	(17,201,088)	20,851,551
(Increase)/decrease in trading securities	(4,282,118)	14,775,941
Decrease in unearned premiums	(4,841,434)	(2,956,460)
Increase in unexpired risks	1,838,000	–
Decrease in gross outstanding insurance claims	(13,062,130)	(18,658,508)
Decrease in insurance liabilities	(1,874,690)	(1,556,196)
Increase/(decrease) in other creditors and accruals	42,682,439	(10,466,869)
Dividend income from listed investments	(325,636)	(246,973)
Interest income	(11,669,138)	(34,277,948)
Interest expenses	1,083,700	4,189,195
Exchange difference	(27,330)	(475,372)
Net cash inflow/(outflow) from operating activities	681,420	(17,013,607)

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

b) Analysis of changes in financing during the year

	Loans HK\$	Share capital (including premium) HK\$	Minority interests HK\$
Balance at 1st January 2000	55,328,096	843,511,489	14,029,722
Proceeds from issue of shares	–	537,581	–
Loans and advances from minority interests	–	–	4,613,283
Dividends paid to minority interests	–	–	(1,050,000)
Repayment of loans	(13,725,712)	–	–
Share of profit for the year	–	–	1,743,197
Exchange translation difference	198,648	–	56,651
Balance at 31st December 2000 and 1st January 2001	41,801,032	844,049,070	19,392,853
Repayment of loans and advances to minority interests	–	–	(9,030,652)
Dividends paid to minority interests	–	–	(152,000)
Repayment of loans	(41,792,992)	–	–
Share of profit for the year	–	–	2,644,055
Exchange translation difference	(8,040)	–	(131)
Balance at 31st December 2001	–	844,049,070	12,854,125

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

	2001 HK\$
Net assets disposed of	
Furniture, fixtures and motor vehicle	457,418
Other investment	29,326,723
Other debtors and prepayments	525,616
Cash and bank balances, net of provision (<i>note 24(b)</i>)	9,674,795
Other creditors and accruals	(3,701,996)
Taxation payable	(2,750,341)
	33,532,215
Exchange reserve released	(1,460,667)
	32,071,548
Gain on disposal	62,017,992
	94,089,540

35. RELATED PARTY TRANSACTIONS

In addition to those disclosed in Notes 15, 16, 17, 21, 24(a), significant related party transactions which were carried out in the normal course of the Group's business are as follows:

- (a) Insurance premium generated from jointly controlled entities totalling HK\$6,669,147 (*2000: HK\$6,629,728*) for the year were conducted in the normal course of business at prices and terms not less favourable than those charged to and contracted with other third party customers of the Group.
- (b) An amount of HK\$1,880,000 (*2000 : HK\$1,880,000*) was paid to Vigour Fine Company Limited, a substantial shareholder of the Company, for the provision of certain management services which include the provision of directors to the board of directors of the Company.

In 2000, an amount of HK\$753,672 was paid to a wholly owned subsidiary of Fujian International Trust & Investment Corporation, a substantial shareholder of the Company, for the provision of certain business and strategic development service and advice through the nomination of officers to a subsidiary of the Company.

35. RELATED PARTY TRANSACTIONS (Continued)

- (c) During the year, office rental expenses of HK\$566,981 (2000: HK\$724,800) was paid to Golden Rewards Limited (“Golden Rewards”), a wholly owned subsidiary of a substantial shareholder of the Company.
- (d) On 31st October 2001, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with Golden Rewards for the acquisition of the whole floor of a commercial building (“the Property”) in Hong Kong for a total consideration of HK\$40,850,000.

The Group intends to hold the Property as long-term investment.

36. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 24th April 2002.