

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 the current year, the Group adopted the revised SSAP 1 “Presentation of financial statements”, revised SSAP 11 “Foreign currency translation”, revised SSAP 15 “Cash flow statements” and revised SSAP 34 “Employee benefits” which are effective for accounting periods commencing on or after 1st January 2002. The major changes arising from the adoption of these standards are set out below:

- (i) The results of subsidiaries, jointly controlled entities and associates which are expressed in foreign currencies are no longer translated at the rates of exchange ruling at the balance sheet date but are translated using the average rates during the year. However, the effect of this changes in accounting policy to the Group’s results in prior years is not material and accordingly no restatement of prior years’ results have been made.
- (ii) The Group has modified the presentation of cash flow statement in accordance with the revised SSAP 15 “Cash flow statements” and replaced the Statement of Recognised Gains and Losses with the Statement of Changes in Equity in accordance with the revised SSAP 1 “Presentation of financial statements”.

The accounting policies set out below have taken into the effects of adopting these standards.

(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 of 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.

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

The gain or loss on 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/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 and also any related exchange translation reserve.

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.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Jointly controlled entities

A jointly controlled entity is an entity which, through contractual arrangements, is subject to joint control of 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 by the Group.

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.

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

(i) Interest and rental income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable, except for doubtful debts where interest income is recognised on a cash basis.

Rental income from operating leases is recognised on a straight-line basis over the life of the lease agreements.

(ii) Gross insurance premiums less reinsurance

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

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Revenue recognition (Continued)

(iii) *Sale of properties*

Revenue from the sale of properties in Mainland China is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the development and construction of the properties contracted for sale as well as the sale process are completed. Payments received prior to completion are recorded as deposits received and included in other creditors.

(iv) *Commission income and management fees*

Commission income and management fees are recognised upon the provision of services. Income accrual is ceased in case the collectibility of the income is doubtful.

(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 accrual 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 ventures. Income accrual is ceased in case the collectibility of the income is doubtful.

(vi) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(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 are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

In preparing these accounts, advantage has been taken of the transitional provisions set out in paragraph 80 of SSAP 17 "Property, plant and equipment" 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.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Fixed assets (Continued)

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 operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties are not depreciated except for those held on leases with unexpired periods of 20 years or less. In which case, depreciation is provided on the carrying amount 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 and transferred from the revaluation reserve to the profit and loss account.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)**(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. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(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. The Group has taken advantage of the transitional provisions in SSAP 30 "Business combinations" for transactions occurred prior to 1st January 2001 that goodwill previously written off against reserves and negative goodwill previously taken to reserves has not been restated. However any impairment arising on goodwill is accounted for in the profit and loss account. On disposal of a subsidiary, a jointly controlled entity or an associate, the related goodwill/negative goodwill is included in calculating the profit and loss on disposal.

(j) Investments in securities*(i) Trading securities*

Trading securities are securities which are 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.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Investments in securities (Continued)

(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 credited or debited to the investment revaluation reserve until the security is sold or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account. Where there is objective evidence that individual investments are impaired the cumulative loss recorded in the revaluation reserve is taken to the profit and loss account.

(k) Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost, calculated on an average basis, includes land cost, development expenditure and other direct expenses. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(l) Unearned premiums

Unearned premiums represent those portions of premiums written which are related to periods of risk subsequent to the balance sheet date.

(m) Deferred acquisition costs

Acquisition costs consist of commissions, discounts and other cost after deducting reinsurance commission income, which are directly related to the production of revenues. They are deferred and amortised over the terms of the insurance policies.

(n) Outstanding insurance claims

Full provision is made for outstanding claims including those incurred but not reported at the balance sheet date. Provision is made in the light of available information, after taking into account direct claims handling expenses and possible recoveries from other parties. Indirect expenses relating to the general administration of claims are not included as part of outstanding insurance claims.

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

1. PRINCIPAL ACCOUNTING POLICIES (Continued)**(o) 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.

(p) 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. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight line basis over the lease term.

(q) 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.

(r) 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 balance sheet of subsidiaries, jointly controlled entities and associates expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences arising are dealt with as a movement in reserves.

(s) Employee benefits*(i) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefit costs

The Group's contributions to staff retirement scheme (*note 6(a)*) are expensed as incurred and are reduced by contributions forfeited in relation to those employees who leave the scheme prior to vesting fully in the contributions.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(t) Borrowing costs

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

(u) 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 13*). Inter-segment loans and advances employed by the Group as part of the Group's funding and capital allocation and the resulting interest income and expenses are excluded from the determination of segment assets, liabilities and results.

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

(v) 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 and short term bank deposits with original maturity less than three months.

(w) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(x) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2. TURNOVER AND SEGMENT REVENUE INFORMATION

The Group is principally engaged in property investment, development and sales, financial services, toll road investment and investment holdings.

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

	2002 HK\$	2001 HK\$
Turnover		
Gross insurance premiums	64,311,084	72,156,222
Insurance brokerage commission	507,451	378,725
Gross proceeds from disposal of properties held for sale	44,252,425	46,157,157
Rental income from investment properties	4,935,944	3,709,599
Income from a co-operative venture	–	1,716,574
Interest income	7,039,576	11,669,138
Management fee	528,182	701,193
	121,574,662	136,488,608
Less: Reinsurance	(11,195,834)	(12,265,404)
	110,378,828	124,223,204
Other revenues		
Dividend income from listed equity investments	358,764	325,636
Gain on winding up of subsidiaries (a)	6,747,175	–
Gain on disposal of a subsidiary	–	62,017,992
Forfeiture of rental deposits received	–	1,411,180
	7,105,939	63,754,808
Total revenues	117,484,767	187,978,012

- (a) The amount represents the release of capital reserve and exchange translation reserve attributable to the subsidiaries on their winding up.

2. TURNOVER AND SEGMENT REVENUE INFORMATION (Continued)

Primary reporting format – business segments

The Group's activities are organised under the following business segments:

- | | | |
|--|---|--|
| Property investment, development and sales | – | investing in and development of properties for sale and for rental income |
| Financial services | – | underwriting of general insurance, investing in banking business and trading in securities |
| Toll road investment | – | investing in toll road projects in Mainland China |
| Investment holdings and others | – | this comprises other activities of the Group |

2. TURNOVER AND SEGMENT REVENUE INFORMATION (Continued)

Primary reporting format – business segments (Continued)

For the year ended 31st December 2002

	Property investment, development and sales HK\$	Financial services HK\$	Toll road investment HK\$	Investment holdings and others HK\$	Group HK\$
Turnover	49,517,005	54,771,800	–	6,090,023	110,378,828
Other revenues	–	358,764	–	6,747,175	7,105,939
Total revenues	49,517,005	55,130,564	–	12,837,198	117,484,767
Segment results	3,577,793	4,135,856	–	4,013,599	11,727,248
Unallocated costs					(1,136,486)
Operating profit					10,590,762
Finance costs					–
Share of profits of					
– Jointly controlled entities	–	44,725,535	–	–	44,725,535
– Associates	–	–	5,434,146	–	5,434,146
Profit before taxation					60,750,443
Taxation	(2,009,795)	(2,990,751)	–	–	(5,000,546)
Profit after taxation					55,749,897
Minority interests					(2,837,867)
Profit attributable to shareholders					52,912,030
Segment assets	160,495,767	201,111,335	–	372,326,713	733,933,815
Investments in jointly controlled entities	–	458,037,010	–	–	458,037,010
Investments in associates	14,960,130	–	89,456,974	–	104,417,104
Unallocated assets					44,917,736
Total assets					1,341,305,665
Segment liabilities	28,429,834	113,336,004	–	18,684,803	160,450,641
Unallocated liabilities					4,256,973
Total liabilities					164,707,614

2. TURNOVER AND SEGMENT REVENUE INFORMATION (Continued)

Primary reporting format – business segments (Continued)

For the year ended 31st December 2002

	Property investment, development and sales HK\$	Financial services HK\$	Toll road investment HK\$	Investment holdings and others HK\$	Group HK\$
Capital expenditure	–	10,386	–	792,340	802,726
Depreciation	188,210	658,532	–	1,641,457	2,488,199
Impairment charge of other properties (note 13(a))	–	–	–	996,235	996,235

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	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

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\$
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
Capital expenditure	42,678,915	187,342	–	271,294	43,137,551
Depreciation	186,792	676,623	–	1,754,680	2,618,095
Impairment charge of other properties (note 13(a))	–	–	–	9,947,756	9,947,756

2. TURNOVER AND SEGMENT REVENUE INFORMATION (Continued)

Secondary reporting format – geographical segments

For the year ended 31st December 2002					
	Turnover HK\$	Other revenues HK\$	Operating profit HK\$	Total assets HK\$	Capital expenditure HK\$
Hong Kong	56,519,389	7,105,939	533,201	478,429,884	483,281
Mainland China	46,702,779	–	8,161,300	251,187,504	319,445
Macau	7,156,660	–	1,896,261	49,234,163	–
	<u>110,378,828</u>	<u>7,105,939</u>	<u>10,590,762</u>	<u>778,851,551</u>	<u>802,726</u>
Investments in jointly controlled entities				458,037,010	
Investments in associates				<u>104,417,104</u>	
				<u>1,341,305,665</u>	
For the year ended 31st December 2001					
	Turnover HK\$	Other revenues HK\$	Operating profit/(loss) HK\$	Total assets HK\$	Capital expenditure HK\$
Hong Kong	62,557,229	325,636	(36,336,926)	453,410,226	43,085,476
Mainland China	51,939,555	63,429,172	65,713,605	296,976,001	50,444
Macau	9,726,420	–	3,411,145	51,896,654	1,631
	<u>124,223,204</u>	<u>63,754,808</u>	<u>32,787,824</u>	<u>802,282,881</u>	<u>43,137,551</u>
Investments in jointly controlled entities				437,368,943	
Investments in associates				<u>91,930,847</u>	
				<u>1,331,582,671</u>	

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

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

	2002 HK\$	2001 HK\$
Gross commissions payable	20,347,702	23,916,977
Less: Commissions receivable from reinsurers	(2,835,114)	(3,779,548)
Net commissions payable	17,512,588	20,137,429
Gross claims incurred	24,829,207	24,331,355
Less: Claims recovered from reinsurers	(7,082,204)	(2,020,487)
Net claims incurred	17,747,003	22,310,868
Claims handling expenses	2,072,004	2,429,504
	37,331,595	44,877,801

4. OTHER PROVISIONS AND LOSSES

	2002 HK\$	2001 HK\$
Net realised and unrealised losses in trading securities	1,386,362	3,052,298
Loss on disposal of investment properties	26,949	1,664,665
Deficit on revaluation of investment properties	5,859,573	12,821,947
Impairment of other properties	–	4,491,441
Provision for advance to an unrelated company (<i>note 17</i>)	–	6,450,000
(Write back)/provision for loans to and amounts due from jointly controlled entities and associates	(11,111,608)	10,500,180
Others	–	532,360
	(3,838,724)	39,512,891

5. OTHER OPERATING EXPENSES

Other operating expenses for the year ended 31st December 2001 are net of an amount of HK\$3,830,235 which represents the write back of provisions for renovation cost and other expenses of a subsidiary in Beijing which has ceased operation.

6. OPERATING PROFIT

	2002 HK\$	2001 HK\$
Operating profit is stated after charging the following:		
Depreciation	2,488,199	2,618,095
Loss on disposal of fixed assets	76,284	307,477
Net exchange losses	69,853	96,655
Operating lease rentals in respect of land and buildings	362,760	941,219
Auditors' remuneration	1,894,083	2,104,534
Management fee (<i>note 30(b)</i>)	1,880,000	1,880,000
Retirement benefit costs (a)	790,707	842,413

- (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 Hong Kong Mandatory Provident Fund Schemes Ordinance.

The Group's monthly contributions (mandatory and voluntary) to the MPF Scheme for each employee is calculated at 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 in relation to those employees who leave the scheme prior to vesting fully in the contributions. At 31st December 2002, there were no material unutilised forfeited contributions.

7. FINANCE COSTS

	2002 HK\$	2001 HK\$
Interest on bank loans	–	719,502
Interest on other loans wholly repayable within five years	–	364,198
	–	1,083,700

8. SHARE OF PROFITS OF JOINTLY CONTROLLED ENTITIES

Share of profits of jointly controlled entities includes the Group's share of the gain on disposal of a subsidiary by a jointly controlled entity of HK\$6.97 million (2001: Nil).

9. SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

	2002 HK\$	2001 HK\$
Fees	393,698	369,233
Salaries, housing and other allowances, and benefits in kind	1,006,273	43,000
Bonuses paid by a subsidiary	2,250,000	3,000,000
	3,649,971	3,412,233

The emoluments were paid to the directors as follows:

Emoluments Band	Number of Directors	
	2002	2001
HK\$ Nil – HK\$1,000,000	7	3
HK\$1,000,001 – HK\$1,500,000	–	3

Emoluments paid to independent non-executive directors amounted to HK\$260,000 during the year (2001: HK\$260,000).

See also note 30(b) for the management fee paid.

9. SENIOR EXECUTIVES' EMOLUMENTS (Continued)

(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:

	2002 HK\$	2001 HK\$
Salaries, housing and other allowances, and benefits in kind	2,608,643	1,945,966
Contributions to retirement benefit scheme	72,000	24,000
	2,680,643	1,969,966

Emoluments Band	Number of Individuals	
	2002	2001
HK\$ Nil – HK\$1,000,000	2	1
HK\$1,000,001 – HK\$1,500,000	1	1

10. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2001: 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.

	2002 HK\$	2001 HK\$
Company and subsidiaries:		
Hong Kong profits tax	4,300	124,742
Mainland China and Macau taxation	2,105,181	2,434,765
	2,109,481	2,559,507
Over provision in prior years:		
Hong Kong profits tax	(63,386)	–
Macau taxation	(139,612)	(178,998)
	(202,998)	(178,998)
	1,906,483	2,380,509
Jointly controlled entities:		
Mainland China and Macau taxation	3,094,063	5,465,321
	5,000,546	7,845,830
Deferred taxation for the year has not been (credited)/provided in respect of the following:		
Accelerated depreciation allowances	(111,317)	(145,421)
Unutilised tax losses	(3,650,704)	56,631
	(3,762,021)	(88,790)

11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$32,650,196 (2001: a loss of HK\$14,567,235).

12. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to shareholders of HK\$52,912,030 (2001: HK\$67,267,716) and the weighted average number of 459,428,656 (2001: 459,428,656) shares in issue during the year.

The Group has no dilutive potential ordinary shares in issue during the current year and prior year and therefore there is no diluted earnings per share presented in these accounts.

13. 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 2002	126,466,377	66,944,097	9,074,853	4,378,212	206,863,539
Translation differences	(524)	(73)	(473)	(356)	(1,426)
Additions	–	–	679,292	123,434	802,726
Reclassification	(889,741)	889,741	–	–	–
Revaluation	(5,859,573)	–	–	–	(5,859,573)
Disposals	(321,819)	–	(242,783)	–	(564,602)
At 31st December 2002	119,394,720	67,833,765	9,510,889	4,501,290	201,240,664
Accumulated depreciation and impairment losses					
At 1st January 2002	–	18,948,960	4,002,648	3,378,940	26,330,548
Translation differences	–	(10)	(293)	(221)	(524)
Charge for the year	–	1,141,019	1,093,091	254,089	2,488,199
Impairment charge (a)	–	996,235	–	–	996,235
Disposals	–	–	(165,399)	–	(165,399)
At 31st December 2002	–	21,086,204	4,930,047	3,632,808	29,649,059
Net book value					
At 31st December 2002	119,394,720	46,747,561	4,580,842	868,482	171,591,605
At 31st December 2001	126,466,377	47,995,137	5,072,205	999,272	180,532,991

(a) Impairment loss of HK\$996,235 (2001: HK\$5,456,315) has been debited to other properties revaluation reserve (note 25).

13. 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 2002	22,144,559	4,329,300	3,257,366	3,771,204	33,502,429
Translation differences	(525)	–	(103)	–	(628)
Additions	–	–	463,585	–	463,585
Reclassification	(889,741)	889,741	–	–	–
Revaluation	(559,573)	–	–	–	(559,573)
Disposals	–	–	(830,696)	–	(830,696)
At 31st December 2002	20,694,720	5,219,041	2,890,152	3,771,204	32,575,117
Accumulated depreciation and impairment losses					
At 1st January 2002	–	1,279,300	1,152,069	3,111,878	5,543,247
Translation differences	–	–	(101)	–	(101)
Charge for the year	–	37,546	326,931	131,866	496,343
Disposals	–	–	(194,053)	–	(194,053)
At 31st December 2002	–	1,316,846	1,284,846	3,243,744	5,845,436
Net book value					
At 31st December 2002	20,694,720	3,902,195	1,605,306	527,460	26,729,681
At 31st December 2001	22,144,559	3,050,000	2,105,297	659,326	27,959,182

13. FIXED ASSETS (Continued)

The analysis of the cost or valuation of the above assets is as follows:

Group

	Investment properties HK\$	Other properties HK\$	Furniture, fixtures, office and computer equipment HK\$	Motor vehicles HK\$	Total HK\$
At 31st December 2002					
At cost	–	13,944,024	9,510,889	4,501,290	27,956,203
At valuation	119,394,720	53,889,741	–	–	173,284,461
	119,394,720	67,833,765	9,510,889	4,501,290	201,240,664
At 31st December 2001					
At cost	–	13,944,097	9,074,853	4,378,212	27,397,162
At valuation	126,466,377	53,000,000	–	–	179,466,377
	126,466,377	66,944,097	9,074,853	4,378,212	206,863,539

Company

	Investment properties HK\$	Other properties HK\$	Furniture, fixtures, office and computer equipment HK\$	Motor vehicles HK\$	Total HK\$
At 31st December 2002					
At cost	–	4,329,300	2,890,152	3,771,204	10,990,656
At valuation	20,694,720	889,741	–	–	21,584,461
	20,694,720	5,219,041	2,890,152	3,771,204	32,575,117
At 31st December 2001					
At cost	–	4,329,300	3,257,366	3,771,204	11,357,870
At valuation	22,144,559	–	–	–	22,144,559
	22,144,559	4,329,300	3,257,366	3,771,204	33,502,429

13. FIXED ASSETS (Continued)

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

Investment properties

	Group		Company	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Held in Hong Kong				
Leases of over 50 years	44,200,000	47,500,000	–	–
Leases of between 10 to 50 years	27,000,000	27,500,000	–	–
Held outside Hong Kong				
Leases of over 50 years	–	321,819	–	–
Leases of between 10 to 50 years	48,194,720	51,144,558	20,694,720	22,144,559
	119,394,720	126,466,377	20,694,720	22,144,559

Other properties

	Group		Company	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
Held in Hong Kong				
Leases of over 50 years	43,961,483	46,050,000	3,012,454	3,050,000
Held outside Hong Kong				
Freehold	278,400	284,800	–	–
Leases of over 50 years	1,510,434	1,547,175	–	–
Leases of between 10 to 50 years	997,244	113,162	889,741	–
	46,747,561	47,995,137	3,902,195	3,050,000

13. FIXED ASSETS (Continued)

The investment properties were revalued on an open market value basis at 31st December 2002 by independent professional valuers, namely, Chesterton Petty Limited in Hong Kong and Fujian Huaxing Certified Public Accountants Ltd. in Mainland China.

Other properties stated at valuation were valued by an independent professional valuer, Chesterton Petty Limited, on an open market value basis at 31st December 1992.

The carrying amount of other properties of the Group would have been HK\$29,724,317 (2001: HK\$28,980,998) had they been stated at cost less accumulated depreciation and impairment losses.

The title deeds in respect of certain investment properties with a carrying value of HK\$34.2 million (2001: HK\$36 million) held by a subsidiary in Hong Kong are placed in the custody of the Office of the Commissioner of Insurance in Hong Kong.

14. SUBSIDIARIES

	Company	
	2002 HK\$	2001 HK\$
Unlisted shares, at cost	60,655,026	96,462,914
Amounts due from subsidiaries	350,987,546	362,266,390
Amounts due to subsidiaries	(2,441)	(71,865,901)
	411,640,131	386,863,403
Less: Provisions	(175,952,782)	(191,022,606)
	235,687,349	195,840,797

At 31st December 2001, an amount of 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 during the year. Subsequent to the repayment, the Company has committed to advance a similar loan to the subsidiary which has not been drawn down at 31st December 2002.

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

14. SUBSIDIARIES (Continued)

The following is a list of the subsidiaries at 31st December 2002 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's equity interest
Crown Land International Limited	Hong Kong	Investment holding	HK\$10,000	100%
Dorfine Development Limited ⁽³⁾	Hong Kong	Property investment	HK\$2	100%
Fujian Minxin Investment Consultants Co., Ltd. ^{(2), (3) and (5)}	The People's Republic of China	Investment consultant	HK\$3,000,000	100%
Jinan Pacific Real Estate Development Co., Ltd. ^{(1) and (2)}	The People's Republic of China	Property development and sales	RMB13,881,160 ⁽⁴⁾	51%
Min Xin (China) Investment Limited ⁽³⁾	British Virgin Islands	Investment holding	US\$1	100%
Minxin Ferdinand Investments Limited ⁽³⁾	Hong Kong	Investment holding	HK\$5,000,000	51%
Min Xin Infrastructure Limited ⁽³⁾	British Virgin Islands	Investment holding	US\$1	100%
Min Xin Insurance Company Limited ⁽³⁾	Hong Kong	Insurance	HK\$55,000,000	100%
Min Xin Properties Limited	Hong Kong	Investment holding	HK\$5,000,000	100%
Ranger Insurance Brokers Limited ⁽³⁾ (formerly known as Min Xin Insurance Consultants Limited)	Hong Kong	Insurance agent	HK\$100,000	100%
Sharp Star Limited ⁽³⁾	Hong Kong	Property investment	HK\$2	100%

14. SUBSIDIARIES (Continued)

Name	Place of incorporation/ operation	Principal activities	Nominal value of issued ordinary share capital/ registered capital	Group's equity interest
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 ⁽³⁾	Hong Kong	Property investment	HK\$2	100%
Welljet Development Limited ⁽³⁾	Hong Kong	Property investment	HK\$2	100%

(1) Equity joint venture enterprise in Mainland China.

(2) Companies not audited by PricewaterhouseCoopers. The Group's profit before taxation attributable to these companies amounted to HK\$8,847,525 (2001: HK\$11,516,450).

(3) Subsidiaries held directly by the Company.

(4) Registered and paid up capital.

(5) Wholly foreign-owned enterprise in Mainland China.

15. JOINTLY CONTROLLED ENTITIES

Group		
	2002 HK\$	2001 HK\$
Share of net assets	458,037,010	428,217,416
Loans to jointly controlled entities	94,679,498	114,470,242
Amounts due from jointly controlled entities	51,130,299	51,257,197
	145,809,797	165,727,439
Less: Provisions	(145,809,797)	(156,575,912)
	–	9,151,527
	458,037,010	437,368,943
Unlisted investments, at cost	210,805,000	210,805,000
Company		
	2002 HK\$	2001 HK\$
Unlisted investments, at cost	210,805,000	210,805,000
Loans to jointly controlled entities	94,679,498	114,470,242
Amounts due from jointly controlled entities	51,130,299	51,135,520
	356,614,797	376,410,762
Less: Provisions	(150,814,797)	(148,216,990)
	205,800,000	228,193,772

At 31st December 2002, the loans to and amounts due from jointly controlled entities have no fixed repayment terms and interest is charged on the loans at 12% per annum (2001: 12% except for an amount of HK\$1,699,567 which bears interest at Hong Kong dollar prime rate plus 3.5%). The loans and amounts were advanced to the jointly controlled entities in prior years as part of the Group's investments in the joint ventures. As a result of the accumulated losses of the underlying joint ventures, provisions had been made by the Group and the Company against the investments and the loans and amounts due from the jointly controlled entities. Interest income on the loans is accounted for on a cash basis and interest income of HK\$70,282 (2001: HK\$1,101,198) has been received from the jointly controlled entities during the year.

Bank deposits with jointly controlled financial institutions in the normal course of business are included in cash and bank balances (note 21(a)).

15. JOINTLY CONTROLLED ENTITIES (Continued)

The following is a list of the principal jointly controlled entities at 31st December 2002:

Name	Place of incorporation/ operation	Principal activities	Group's attributable interest in ownership/ profit sharing
Xiamen International Bank, and its subsidiaries ^{(1) and (2)} ;	The People's Republic of China	Banking	36.75%
Fast Rise Investments Limited	Hong Kong	Property investment	36.75%
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%
Xiamen International Investment Limited	Hong Kong	Investment holding	36.75%
XIB Properties Limited	Liberia	Property investment	36.75%
Westly Limited, and its subsidiary ⁽²⁾ ;	Hong Kong	Investment holding	50%
Asian Eagle Limited	Hong Kong	Property development and sales	50%

(1) Xiamen International Bank is a major jointly controlled entity directly held by the Company. The Group holds 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 Xiamen International Bank. The 2002 consolidated balance sheet and profit and loss account of Xiamen International Bank extracted from its statutory accounts are set out in the Appendix 1 of the Company's 2002 annual report as supplementary information.

(2) Jointly controlled entities directly held by the Company.

16. ASSOCIATES

	Group	
	2002 HK\$	2001 HK\$
Share of net assets	28,655,534	25,763,090
Loans to associates	84,871,020	75,628,029
Amount due from an associate	106,087	106,374
	84,977,107	75,734,403
Less: Provisions	(9,215,537)	(9,566,646)
	75,761,570	66,167,757
	104,417,104	91,930,847
Unlisted investments, at cost	6,285,803	6,285,803
	Company	
	2002 HK\$	2001 HK\$
Unlisted investments, at cost	—	—

The loans to and amount due from associates are unsecured, interest free and have no fixed repayment term except for a loan of RMB10,000,000 (2001: Nil) which is secured by a piece of land in Mainland China and repayable in one year from the drawdown date, and an unsecured loan of RMB1,520,000 (2001: RMB1,520,000) which is repayable in two years from the drawdown date. Both loans bear interests at normal commercial rates. During the year, interest income received from the associate amounted to HK\$220,969 (2001: HK\$4,725).

16. ASSOCIATES (Continued)

The following is a list of the principal associates at 31st December 2002:

Name	Place of incorporation/ operation	Principal activities	Group's equity interest
Changchun Changxin International Real Estate Development Co., Ltd. ⁽¹⁾ (note 31(c))	The People's Republic of China	Property development and sales	20%
Promise Good Limited, and its subsidiaries ⁽¹⁾ :	British Virgin Islands	Investment holding	40%
Nickwell Investments Limited ⁽¹⁾	British Virgin Islands	Investment holding	40%
Raytek Investments Limited ⁽¹⁾	British Virgin Islands	Investment holding	40%
Wise Link Investments Limited ⁽¹⁾	British Virgin Islands	Investment holding	40%
Ningbo Nickwell Highway Development Company Limited ^{(1) and (2)}	The People's Republic of China	Infrastructure	26%
Ningbo Rayter Highway Development Company Limited ^{(1) and (2)}	The People's Republic of China	Infrastructure	26%
Ningbo Wise Link Highway Development Company Limited ^{(1) and (2)}	The People's Republic of China	Infrastructure	26%
Vigorous Developments Limited, and its subsidiary ⁽¹⁾ :	British Virgin Islands	Investment holding	30%
Maanshan Huan Tung Highway Development Limited ^{(1) and (3)}	The People's Republic of China	Infrastructure	21%

(1) Companies not audited by PricewaterhouseCoopers. The Group's profit before taxation attributable to these companies amounted to HK\$5,779,639 (2001: HK\$12,844,264).

(2) The profit sharing arrangement commenced from August 1998 and the Group's share of the associates' profit is 32% for the first five years, 20% for the next five years and 26% for the remaining years.

(3) The profit sharing arrangement commenced from January 2000 and the Group's share of the associate's profit is 24% for the first five years, 18% for the next five years and 21% for the remaining years.

17. OTHER ASSET

	Group and Company	
	2002 HK\$	2001 HK\$
Advance to an unrelated company	64,500,000	64,500,000
Less: Provision	(6,450,000)	(6,450,000)
	58,050,000	58,050,000

The advance carries interest of 14% and management fee of 4% per annum and is secured by certain units of a building in Fuzhou, Mainland China.

In 2001, the Company took legal action against the borrower for settlement of the advance 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 disposing the properties collateral by public auction and the directors, with reference to the proposed auction price, consider that a provision of HK\$6,450,000 against the advance is adequate. The Group and the Company have ceased accruing interest and management fee on the advance from 2001.

18. PROPERTIES HELD FOR SALE

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Properties under development, at cost	7,588,000	4,583,978	—	—
Completed properties, at cost	16,097,878	41,339,139	—	—
	23,685,878	45,923,117	—	—

19. 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 2002, the ageing analysis of the insurance debtors was as follows:

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Within 30 days	3,793,371	3,536,350	–	–
31-60 days	7,783,371	4,958,808	–	–
61-90 days	4,053,969	3,362,575	–	–
Over 90 days	2,829,400	4,669,725	–	–
	18,460,111	16,527,458	–	–

20. TRADING SECURITIES

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Equity securities, listed in Hong Kong at market value	14,028,704	11,914,115	9,525,768	7,539,758
Equity linked notes, unlisted	–	2,500,000	–	2,500,000
	14,028,704	14,414,115	9,525,768	10,039,758

21. CASH AND BANK BALANCES

Included in cash and bank balances are:

- (a) deposits with jointly controlled financial institutions totalling HK\$133,182,917 (2001: HK\$184,617,452) for the Group and HK\$121,964,951 (2001: HK\$168,681,138) for the Company. The deposits carry interest at normal commercial rates and have generated interest income of HK\$2,360,211 (2001: HK\$5,879,943) to the Group for the year.
- (b) deposits of RMB117,342,495 (equivalent to HK\$110,480,893) placed with certain banks (including jointly controlled financial institutions in note (a) above) in Mainland China (At 31st December 2001: RMB142,337,338, equivalent to HK\$134,092,875).

In accordance with a request from The Commissioner of Insurance in Hong Kong, one subsidiary maintains at all times a portion of its funds, being not less than HK\$16 million (2001: HK\$16 million), in fixed deposits.

22. INSURANCE LIABILITIES

At 31st December 2002, the ageing analysis of the insurance liabilities was as follows:

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Within 30 days	2,303,248	2,442,337	—	—
31-60 days	2,212,207	1,957,471	—	—
61-90 days	1,444,832	1,670,250	—	—
Over 90 days	1,724,551	2,500,466	—	—
	7,684,838	8,570,524	—	—

23. DEFERRED TAXATION

At 31st December 2002, the potential deferred tax asset/(liability) which has not been recognised in the accounts amounted to:

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
In respect of:				
Accelerated depreciation allowances	(674,855)	(786,172)	(333,466)	(396,928)
Unutilised tax losses	13,523,548	9,872,844	10,425,435	5,026,885
	12,848,693	9,086,672	10,091,969	4,629,957

The surplus arising from revaluation of the Group's and the Company's properties does not constitute a timing difference for deferred tax purposes as its realisation would not result in a tax liability.

24. SHARE CAPITAL

	Authorised	
	Ordinary shares of HK\$1 each	
	No. of shares	HK\$
At 31st December 2001 and 31st December 2002	800,000,000	800,000,000
	Issued and fully paid	
	Ordinary shares of HK\$1 each	
	No. of shares	HK\$
At 31st December 2001 and 31st December 2002	459,428,656	459,428,656

25. 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/loss	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	Capital (accumulated loss)	HK\$
At 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
Disposal of subsidiaries	-	-	-	-	(405,752)	-	-	(1,460,667)	- 405,752	(1,460,667)
Exchange translation differences	-	-	-	-	30	-	-	(3,773)	-	(3,743)
Profit attributable to shareholders	-	-	-	-	-	-	-	-	- 67,267,716	67,267,716
Transfers	-	-	(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 and 1st January 2002	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
Impairment charge	-	-	-	-	-	-	(996,235)	-	-	(996,235)
Change in fair value of non-trading securities	-	-	-	-	-	2,399,743	-	-	-	2,399,743
Winding up of subsidiaries	-	-	-	-	-	-	-	(875,930)	(5,871,245)	(6,747,175)
Disposal of a subsidiary by a jointly controlled entity	-	-	-	-	7,974,616	40,029	-	-	(7,974,616)	40,029
Exchange translation differences	-	-	-	-	-	-	-	19,786	-	19,786
Profit attributable to shareholders	-	-	-	-	-	-	-	-	- 52,912,030	52,912,030
Capitalisation of reserve by a jointly controlled entity	-	-	-	-	(52,984,223)	-	-	-	52,984,223	-
Transfers	-	-	1,856,109	-	11,112,990	-	-	-	- (12,969,099)	-
At 31st December 2002	384,620,414	47,086,000	31,033,936	-	52,862,258	10,939,158	23,184,866	405,123	132,973,835 34,063,805	717,169,395

25. 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/loss (accumulated)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Company and subsidiaries	384,620,414	47,086,000	–	–	249,280	–	23,184,866	637,763	(3,819,491)	(4,314,512)	447,644,320
Jointly controlled entities	–	–	30,463,007	–	52,612,978	10,939,158	–	–	141,184,223	12,032,644	247,232,010
Associates	–	–	570,929	–	–	–	–	(232,640)	(4,390,897)	26,345,673	22,293,065
At 31st December 2002	384,620,414	47,086,000	31,033,936	–	52,862,258	10,939,158	23,184,866	405,123	132,973,835	34,063,805	717,169,395
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

The statutory reserve is set aside from retained earnings in accordance with the relevant statutory requirements. The reserve fund attributable to the jointly controlled entities is set aside from retained earnings 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 goodwill and negative goodwill arising from consolidation of subsidiaries and associates acquired prior to 1st January 2001 and capitalisation of reserves by a jointly controlled entity. At 31st December 2002, capital reserve included goodwill of HK\$8,286,133 (2001: HK\$8,286,133) and negative goodwill of HK\$75,745 (2001: HK\$5,446,990).

25. RESERVES (Continued)

Company

	Share premium HK\$	Capital redemption reserve HK\$	Investment properties revaluation reserve HK\$	Retained profit/ (accumulated loss) HK\$	Total HK\$
At 1st January 2001	384,620,414	47,086,000	3,695,535	(22,244,875)	413,157,074
Deficit on revaluation of investment properties	–	–	(3,695,535)	–	(3,695,535)
Loss for the year	–	–	–	(14,567,235)	(14,567,235)
At 31st December 2001 and 1st January 2002	384,620,414	47,086,000	–	(36,812,110)	394,894,304
Profit for the year	–	–	–	32,650,196	32,650,196
At 31st December 2002	384,620,414	47,086,000	–	(4,161,914)	427,544,500

At 31st December 2002, the Company had no distributable reserves as calculated under section 79B of the Hong Kong Companies Ordinance (2001: Nil).

26. CONTINGENT LIABILITIES

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Banking facilities guarantee (a)	–	57,300,000	–	57,300,000
Other guarantees (b)	9,454,335	6,940,239	–	–
	9,454,335	64,240,239	–	57,300,000

- (a) At 31st December 2001, the Company had outstanding guarantee issued for general banking facilities granted to a jointly controlled entity to the extent of HK\$57.3 million. Following the repayment of banking facilities utilised by the jointly controlled entity, the guarantee was released during the year.
- (b) A subsidiary has issued guarantees for mortgage loan facilities obtained by certain buyers for acquiring properties in Mainland China from the subsidiary. These guarantees will be released upon the receipt of title deeds of the related mortgaged properties by the banks which normally takes less than one year from the date of guarantee.

27. CAPITAL COMMITMENTS

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Authorised but not contracted for	2,750,000	2,750,000	2,750,000	2,750,000
Contracted but not provided for	573,850	236,574	156,095	156,187
	3,323,850	2,986,574	2,906,095	2,906,187
The Group's share of capital commitments of the jointly controlled entities not included in above is as follows:				
Contracted but not provided for	3,487,532	1,943,754		

28. LEASE COMMITMENTS

(a) As lessee

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

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Land and buildings				
Within one year	226,920	306,920	196,000	1,178,800
In the second to fifth year inclusive	–	201,032	–	201,032
	226,920	507,952	196,000	1,379,832

(b) As lessor

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

	Group		Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Land and buildings				
Within one year	2,155,800	3,582,728	–	–
In the second to fifth year inclusive	187,148	676,917	–	–
	2,342,948	4,259,645	–	–

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a) Reconciliation of profit before taxation to net cash inflow generated from operations

	2002 HK\$	2001 HK\$
Profit before taxation	60,750,443	77,757,601
Share of profits of jointly controlled entities	(44,725,535)	(32,384,429)
Share of profits of associates	(5,434,146)	(13,669,048)
Deficit on revaluation of investment properties	5,859,573	12,821,947
Impairment of other properties	–	4,491,441
(Write back)/provision for loans to and amounts due from jointly controlled entities and associates	(11,111,608)	10,500,180
Provision for advance to an unrelated company	–	6,450,000
Depreciation	2,488,199	2,618,095
Gain on winding up of subsidiaries	(6,747,175)	–
Gain on sale of subsidiaries	–	(62,017,992)
Loss on sale of fixed assets	76,284	307,477
Loss on disposal of investment properties	26,949	1,664,665
Dividend income from listed investments	(358,764)	(325,636)
Interest income	(7,039,576)	(11,669,138)
Interest expenses	–	1,083,700
Operating loss before working capital changes	(6,215,356)	(2,371,137)
Decrease/(increase) in amounts due from jointly controlled entities	126,898	(13,622,431)
Decrease/(increase) in amounts due from associates	287	(4,809)
Decrease/(increase) in properties held for sale	22,237,239	(1,259,616)
Decrease in deferred acquisition costs	5,430	1,480,260
(Increase)/decrease in insurance debtors	(1,932,653)	6,607,649
(Increase)/decrease in claims recoverable from reinsurers	(2,943,421)	6,619,855
Decrease/(increase) in other debtors and prepayments	27,783,944	(17,201,088)
Decrease/(increase) in trading securities	385,411	(4,282,118)
Increase/(decrease) in unearned premiums	119,085	(4,841,434)
(Decrease)/increase in unexpired risks	(843,000)	1,838,000
Increase/(decrease) in gross outstanding insurance claims	4,014,056	(13,062,130)
Decrease in insurance liabilities	(885,686)	(1,874,690)
(Decrease)/increase in other creditors and accruals	(40,210,321)	42,682,439
Exchange difference	7,275	(27,330)
Net cash inflow generated from operations	1,649,188	681,420

30. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the accounts, 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\$5,263,834 (2001: HK\$6,669,147) for the year were conducted 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 (2001: 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 pursuant to a management agreement.
- (c) In 2001, office rental expenses of HK\$566,981 were paid to Golden Rewards Limited ("Golden Rewards"), a wholly owned subsidiary of a substantial shareholder of the Company. On 31st October 2001, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with Golden Rewards for the acquisition as investment properties of the whole floor of a commercial building in Hong Kong for a total consideration of HK\$40,850,000.

31. SUBSEQUENT EVENTS

- (a) In January 2003, as part of a joint venture arrangement, the Group advanced a shareholder loan of approximately HK\$16 million to a newly incorporated jointly controlled entity ("Min Faith") in which the Group holds 40% interest. Min Faith is principally engaged in the manufacturing and distribution of digital instruments through its wholly owned subsidiary in Mainland China.
- (b) In January 2003, the Group entered into an agreement with other parties to set up a company in Mainland China which would be engaged in the provision of sewage and waste treatment services in Mainland China. Pursuant to the agreement, the Company has committed to subscribe 25% of the share capital of the company for RMB10.67 million.
- (c) In January 2003, the Group entered into an agreement with its associate company, Changchun Changxin International Real Estate Development Co., Ltd. ("the Associate") (note 16) and a third party whereby the Group agreed to exchange its equity in and balances due from the Associate for a piece of land ("the Land") in Mainland China held by the Associate. The completion of the transaction is subject to, inter alia, the satisfactory registration of the Land by the Group free from any encumbrance on or before 30th August 2003.

At 31st December 2002, the carrying value of the Group's net investment in the Associate (including balances due from the Associate net of provision) is approximately HK\$15 million. The directors estimate that, on the completion of the transaction, the fair value of the Land would not be less than HK\$15 million.

32. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 25th April 2003.