

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 other than held-to-maturity debt securities are stated at fair value.

- (i) In the current year, the Group has changed its accounting policy on deferred taxation following the adoption of the new SSAP 12 “Income taxes” issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1st January 2003.

Under the new SSAP 12, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was 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 was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented herein have been restated to conform to this changed policy.

As detailed in note 25 to the accounts, the Group’s opening retained earnings, investment revaluation reserve and other properties revaluation reserve have been reduced by the net deferred tax liabilities of the Group computed under the changed policy as at those dates, which amounted to HK\$1,627,831, HK\$1,280,912 and HK\$3,868,976 respectively at 1st January 2002 and HK\$8,564,564, HK\$1,640,874 and HK\$3,709,579 respectively at 1st January 2003. The application of the changed policy has resulted in an increase of the Group’s deferred tax liabilities and a decrease of the Group’s minority interests, share of net assets in jointly controlled entities and associates at 31st December 2002 by HK\$3,803,715, HK\$491,777, HK\$7,934,401 and HK\$2,668,678 respectively.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

- (i) The Group's taxation charges attributable to the Company and its subsidiaries, jointly controlled entities and associates (*note 9*) for the year ended 31st December 2002 have also increased by HK\$547,526, HK\$6,136,364 and HK\$573,732 respectively, resulting in a decrease of net profit after minority interests for the year ended 31st December 2002 by HK\$6,936,733. In addition, the Group's investment revaluation reserve and other properties revaluation reserve have also reduced by HK\$359,962 and increased by HK\$159,397 respectively for the year ended 31st December 2002.

For the year ended 31st December 2003, the adoption of this changed policy has resulted in a decrease in net profit after minority interests, investment revaluation reserve and other properties revaluation reserve by HK\$314,584, HK\$84,355 and HK\$262,507 respectively.

- (ii) Commencing this year, the Group no longer deducts premiums on reinsurance ceded and movements in net unearned insurance premiums and provision for unexpired risks from the gross insurance premiums written in reporting its turnover. The comparative figure for turnover presented herein has been adjusted accordingly. There is no impact on the Group's revenue or profit before taxation in the current and prior years arising from this reclassification.

(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 Company, directly or indirectly, 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.

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 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 less impairment losses.

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

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

(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 less impairment losses.

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

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

(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 net of any incentives paid is recognised on a straight-line basis over the life of the lease agreements.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)**(e) Revenue recognition (Continued)***(ii) Gross insurance premiums less reinsurance*

Gross insurance premiums less reinsurance are recognised corresponding to the insurance risk covered.

(iii) Sale of properties

Revenue from the sale of properties held for sale 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 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) 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.

Effective from 1st January 1993, no further revaluations of the Group's other properties stated at valuation have been carried out. The Group places reliance on paragraph 80 of SSAP 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants which provides exemption from the need to make regular revaluations for such assets.

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%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

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.

(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 of assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets other than properties held for sale, investment properties and financial 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.

(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 acquisitions undertaken prior to 1st January 2001 that goodwill previously written off against reserves and negative goodwill previously taken to reserves are not restated. However any impairment arising on goodwill is accounted for in the profit and loss account. On the 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. Profit or loss on disposal of trading securities, representing the difference between the net sale proceeds and the carrying amounts, 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 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.

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Investments in securities (Continued)

(iii) Held-to-maturity securities

Held-to-maturity securities are stated in the balance sheet at cost plus/less any discount/premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income/expense in the profit and loss account.

The carrying amounts of individual held-to-maturity securities or holdings of the same securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when there is a diminution in value other than temporary and the carrying amounts are not expected to be recovered. Such provisions are recognised in the profit and loss account as an expense immediately.

(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 and other costs net of reinsurance commission income, which are directly related to the production of insurance revenues. They are deferred and amortised over the terms of the related insurance policies.

(n) Outstanding 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 included as part of outstanding 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) 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.

(r) 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 5(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.

(s) 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)

(t) 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.

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, properties held for sale, receivables, investments in securities, insurance related assets and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation, corporate borrowings and accruals for corporate expenses. 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.

(u) 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, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment less bank overdrafts.

(v) 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.

(w) 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 the 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 SEGMENTAL INFORMATION

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

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

	2003 HK\$	2002 HK\$
Turnover		
Gross insurance premiums	52,028,034	62,935,245
Insurance brokerage commission	887,361	507,451
Gross proceeds from disposal of properties held for sale	53,026,076	44,252,425
Rental income from investment properties	5,160,236	4,935,944
Interest income from loans and bank deposits	4,890,891	7,039,576
Management fee	551,600	528,182
	116,544,198	120,198,823
Reinsurance premiums ceded	(11,869,106)	(10,543,910)
Decrease in net unearned insurance premiums written and provision for unexpired risks	4,700,442	723,915
Other revenues		
Dividend income from listed equity investments	566,663	358,764
Interest income from debt securities	111,433	—
Net realised and unrealised gain on trading securities	5,429,143	—
Gain on winding up of subsidiaries (a)	—	6,747,175
Gain on disposal of investment properties (note 30(c))	11,797,570	—
	17,904,809	7,105,939
Total revenues	127,280,343	117,484,767

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

2. TURNOVER AND SEGMENTAL INFORMATION (Continued)

Primary reporting format – business segments

The Group's activities are principally 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, insurance brokerage, investing in banking business and trading in securities
Toll road investment	– investing in toll road projects in Mainland China
Industrial instrument manufacturing	– manufacturing and distribution of digital instruments
Investment holdings and others	– this comprises other investment activities of the Group

2. TURNOVER AND SEGMENTAL INFORMATION (Continued)**Primary reporting format– business segments (Continued)**

For the year ended 31st December 2003

	Property investment, development and sales HK\$	Financial services HK\$	Toll road investment HK\$	Industrial instrument manufacturing HK\$	Investment holdings and others HK\$	Group HK\$
Total revenues	70,472,910	52,555,486	–	–	4,251,947	127,280,343
Segment results	35,477,426	10,155,211	(1,459,692)	–	3,090,904	47,263,849
Unallocated costs						(22,258,865)
Operating profit						25,004,984
Share of results of						
– Jointly controlled entities	–	54,940,052	–	3,045,129	–	57,985,181
– Associates	–	–	(8,069,319)	–	17,735	(8,051,584)
Profit before taxation						74,938,581
Taxation						(14,398,235)
Profit after taxation						60,540,346
Minority interests						(3,753,539)
Profit attributable to shareholders						56,786,807
Segment assets	172,719,053	188,196,088	–	–	374,340,493	735,255,634
Investments in jointly controlled entities	–	493,339,852	–	19,086,970	–	512,426,822
Investments in associates	14,763,945	–	75,675,266	–	10,066,208	100,505,419
Unallocated assets						43,797,531
Total assets						1,391,985,406
Segment liabilities	56,514,376	99,562,557	–	–	985,498	157,062,431
Unallocated liabilities						13,796,358
Total liabilities						170,858,789
Capital expenditure	–	155,679	–	–	519,006	674,685
Depreciation	225,920	630,676	–	–	1,668,773	2,525,369
Impairment of goodwill	–	–	1,459,692	–	–	1,459,692

2. TURNOVER AND SEGMENTAL INFORMATION (Continued)

Primary reporting format– business segments (Continued)

For the year ended 31st December 2002 (as restated)

	Property investment, development and sales HK\$	Financial services HK\$	Toll road investment HK\$	Industrial instrument manufacturing HK\$	Investment holdings and others HK\$	Group HK\$
Total revenues	49,517,005	55,130,564	–	–	12,837,198	117,484,767
Segment results	3,577,793	4,135,856	–	–	25,372,922	33,086,571
Unallocated costs						(22,495,809)
Operating profit						10,590,762
Share of results of						
– Jointly controlled entities	–	44,725,535	–	–	–	44,725,535
– Associates	–	–	5,434,146	–	–	5,434,146
Profit before taxation						60,750,443
Taxation (note 1)						(12,258,168)
Profit after taxation						48,492,275
Minority interests						(2,516,978)
Profit attributable to shareholders						45,975,297
Segment assets	160,495,768	201,111,334	–	–	372,326,713	733,933,815
Investments in jointly controlled entities	–	450,102,609	–	–	–	450,102,609
Investments in associates	14,960,130	–	86,788,296	–	–	101,748,426
Unallocated assets						44,917,736
Total assets						1,330,702,586
Segment liabilities	27,938,057	113,336,004	–	–	14,444,339	155,718,400
Unallocated liabilities						12,301,152
Total liabilities						168,019,552
Capital expenditure	–	10,386	–	–	792,340	802,726
Depreciation	188,210	658,532	–	–	1,641,457	2,488,199
Impairment charge of other properties	–	–	–	–	996,235	996,235

2. TURNOVER AND SEGMENTAL INFORMATION (Continued)**Secondary reporting format – geographical segments**

For the year ended 31st December 2003				
	Total revenues HK\$	Operating profit/(loss) HK\$	Total assets HK\$	Capital expenditure HK\$
Hong Kong	53,114,744	(7,880,822)	395,997,615	133,178
Mainland China	55,545,661	19,151,678	349,918,719	448,317
Macau	18,619,938	13,734,128	33,136,831	93,190
	<u>127,280,343</u>	<u>25,004,984</u>	<u>779,053,165</u>	<u>674,685</u>
Investments in jointly controlled entities			512,426,822	
Investments in associates			100,505,419	
			<u>1,391,985,406</u>	
For the year ended 31st December 2002				
	Total revenues HK\$	Operating profit HK\$	Total assets HK\$	Capital expenditure HK\$
Hong Kong	63,625,328	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>117,484,767</u>	<u>10,590,762</u>	<u>778,851,551</u>	<u>802,726</u>
Investments in jointly controlled entities			450,102,609	
Investments in associates			101,748,426	
			<u>1,330,702,586</u>	

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

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

	2003 HK\$	2002 HK\$
Gross commissions payable	17,093,117	20,347,702
Less: Commissions receivable from reinsurers	(1,402,756)	(2,835,114)
Net commissions payable	15,690,361	17,512,588
Gross claims incurred	16,953,032	24,829,207
Less: Claims recovered from reinsurers	(4,480,808)	(7,082,204)
Net claims incurred	12,472,224	17,747,003
Claims handling expenses	2,675,053	2,072,004
	30,837,638	37,331,595

4. OTHER PROVISIONS AND LOSSES

	2003 HK\$	2002 HK\$
Net realised and unrealised losses in trading securities	–	1,386,362
Loss on disposal of investment properties	–	26,949
Deficit on revaluation of investment properties	1,883,790	5,859,573
Impairment of goodwill attributable to an associate	1,459,692	–
Write back of impairment losses for loans to and amounts due from jointly controlled entities and associates (<i>note 31(a)</i>)	(9,974,236)	(11,111,608)
	(6,630,754)	(3,838,724)

5. OPERATING PROFIT

	2003	2002
	HK\$	HK\$
Operating profit is stated after charging the following:		
Depreciation	2,525,369	2,488,199
Loss on disposal of fixed assets	34,170	76,284
Net exchange losses	645,495	69,853
Operating lease rentals in respect of land and buildings	344,760	362,760
Auditors' remuneration	1,887,130	1,894,083
Management fee (<i>note 30(b)</i>)	1,880,000	1,880,000
Retirement benefit costs (a)	725,125	790,707

- (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 2003, there were no material unutilised forfeited contributions.

6. SHARE OF RESULTS OF JOINTLY CONTROLLED ENTITIES

The prior year amount included the Group's share of the gain on disposal of a subsidiary by a jointly controlled entity of HK\$6.97 million.

7. SHARE OF RESULTS OF ASSOCIATES

For the year ended 31st December 2003, the amount included the Group's share of impairment loss recognised by an associate on its toll road investments of HK\$13.03 million (*2002: Nil*).

8. SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

	2003 HK\$	2002 HK\$
Fees	440,630	393,698
Salaries, housing and other allowances, and benefits in kind	989,352	1,006,273
Bonuses paid by a subsidiary	2,500,000	2,250,000
	3,929,982	3,649,971

The emoluments were paid to the directors as follows:

Emoluments Band	Number of Directors	
	2003	2002
HK\$ Nil – HK\$1,000,000	7	7

Emoluments paid to independent non-executive directors amounted to HK\$260,000 during the year (2002: HK\$260,000).

(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:

	2003 HK\$	2002 HK\$
Salaries, housing and other allowances, and benefits in kind	3,627,231	2,608,643
Contributions to retirement benefit scheme	48,000	72,000
	3,675,231	2,680,643

Emoluments Band	Number of Individuals	
	2003	2002
HK\$ Nil – HK\$1,000,000	3	2
HK\$1,000,001 – HK\$1,500,000	1	1

9. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the year. In 2003, the Hong Kong Government enacted a change in the profits tax rate from 16% to 17.5% starting from the fiscal year 2003/2004. 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.

The amount of taxation charged to the consolidated profit and loss account represents:

	2003 HK\$	2002 HK\$ As restated (Note 1)
Company and subsidiaries:		
Hong Kong profits tax	187	4,300
Mainland China and Macau taxation	3,206,409	2,105,181
	3,206,596	2,109,481
Over provision in prior years:		
Hong Kong profits tax	(438)	(63,386)
Macau taxation	(10,035)	(139,612)
	(10,473)	(202,998)
Deferred taxation		
Relating to the origination and reversal of temporary differences (note 23)	480,823	547,526
	3,676,946	2,454,009
Jointly controlled entities:		
Mainland China and Macau taxation	12,472,688	9,230,427
Associates:		
Mainland China taxation	(1,751,399)	573,732
Taxation charge	14,398,235	12,258,168

9. TAXATION (Continued)

The taxation on the group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the company as follows:

For the year ended 31st December 2003				
	Company and subsidiaries HK\$	Jointly controlled entities HK\$	Associates HK\$	Total HK\$
Profit/(loss) before taxation	25,004,984	57,985,181	(8,051,584)	74,938,581
Calculated at a taxation rate of 17.5%	4,375,872	10,147,407	(1,409,027)	13,114,252
Effect of different taxation rates in other tax jurisdictions	1,773,446	3,530,997	–	5,304,443
Income not subject to taxation	(5,012,055)	(2,803,922)	(966,185)	(8,782,162)
Expenses not deductible for taxation purposes	1,939,982	1,458,885	367,101	3,765,968
Utilisation of previously unrecognised tax losses	(780,222)	–	–	(780,222)
Increase in unrecognised tax losses	1,129,260	194,725	256,712	1,580,697
Under/(Over) provision in prior years	(10,473)	259	–	(10,214)
Others	261,136	(55,663)	–	205,473
	3,676,946	12,472,688	(1,751,399)	14,398,235
For the year ended 31st December 2002				
	Company and subsidiaries HK\$	Jointly controlled entities HK\$	Associates HK\$	Total HK\$
Profit before taxation	10,590,762	44,725,535	5,434,146	60,750,443
Calculated at a taxation rate of 16%	1,694,522	7,156,086	869,463	9,720,071
Effect of different taxation rates in other tax jurisdictions	1,366,722	2,437,637	–	3,804,359
Income not subject to taxation	(4,519,230)	(1,809,760)	(590,822)	(6,919,812)
Expenses not deductible for taxation purposes	2,132,009	1,205,464	295,091	3,632,564
Utilisation of previously unrecognised tax losses	(418,384)	–	–	(418,384)
Increase in unrecognised tax losses	2,264,274	138,369	–	2,402,643
Over provision in prior years	(65,354)	–	–	(65,354)
Others	(550)	102,631	–	102,081
	2,454,009	9,230,427	573,732	12,258,168

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$23,399,424 (2002: HK\$32,650,196).

11. DIVIDENDS

	2003 HK\$	2002 HK\$
Final, proposed, of 4 cents (2002: Nil) per ordinary share	18,377,146	–

At a board meeting held on 23rd April 2004, the directors proposed a final dividend of 4 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profit for the year ending 31st December 2004.

12. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$56,786,807 (2002: HK\$45,975,297) and the weighted average number of 459,428,656 (2002: 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 2003	119,394,720	67,833,765	9,510,889	4,501,290	201,240,664
Translation differences	–	243	238	175	656
Additions	–	–	288,841	385,844	674,685
Revaluation	(1,883,790)	–	–	–	(1,883,790)
Disposals	(15,800,000)	–	(407,091)	–	(16,207,091)
At 31st December 2003	101,710,930	67,834,008	9,392,877	4,887,309	183,825,124
Accumulated depreciation and impairment losses					
At 1st January 2003	–	21,086,204	4,930,047	3,632,808	29,649,059
Translation differences	–	60	205	148	413
Charge for the year	–	1,156,435	1,090,596	278,338	2,525,369
Disposals	–	–	(372,921)	–	(372,921)
At 31st December 2003	–	22,242,699	5,647,927	3,911,294	31,801,920
Net book value					
At 31st December 2003	101,710,930	45,591,309	3,744,950	976,015	152,023,204
At 31st December 2002	119,394,720	46,747,561	4,580,842	868,482	171,591,605

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 2003	20,694,720	5,219,041	2,890,152	3,771,204	32,575,117
Translation differences	–	213	42	–	255
Additions	–	–	54,888	–	54,888
Revaluation	1,116,210	–	–	–	1,116,210
Disposals	–	–	(202,013)	–	(202,013)
At 31st December 2003	21,810,930	5,219,254	2,743,069	3,771,204	33,544,457
Accumulated depreciation and impairment losses					
At 1st January 2003	–	1,316,846	1,284,846	3,243,744	5,845,436
Translation differences	–	54	47	–	101
Charge for the year	–	65,836	335,254	105,492	506,582
Disposals	–	–	(190,933)	–	(190,933)
At 31st December 2003	–	1,382,736	1,429,214	3,349,236	6,161,186
Net book value					
At 31st December 2003	21,810,930	3,836,518	1,313,855	421,968	27,383,271
At 31st December 2002	20,694,720	3,902,195	1,605,306	527,460	26,729,681

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 2003					
At cost	–	14,834,008	9,392,877	4,887,309	29,114,194
At valuation	101,710,930	53,000,000	–	–	154,710,930
	101,710,930	67,834,008	9,392,877	4,887,309	183,825,124
At 31st December 2002					
At cost	–	14,833,765	9,510,889	4,501,290	28,845,944
At valuation	119,394,720	53,000,000	–	–	172,394,720
	119,394,720	67,833,765	9,510,889	4,501,290	201,240,664

Company

	Investment properties HK\$	Other properties HK\$	Furniture, fixtures, office and computer equipment HK\$	Motor vehicles HK\$	Total HK\$
At 31st December 2003					
At cost	–	5,219,254	2,743,069	3,771,204	11,733,527
At valuation	21,810,930	–	–	–	21,810,930
	21,810,930	5,219,254	2,743,069	3,771,204	33,544,457
At 31st December 2002					
At cost	–	5,219,041	2,890,152	3,771,204	11,880,397
At valuation	20,694,720	–	–	–	20,694,720
	20,694,720	5,219,041	2,890,152	3,771,204	32,575,117

13. FIXED ASSETS (Continued)

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

Investment properties

	Group		Company	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Held in Hong Kong				
Leases of over 50 years	43,900,000	44,200,000	–	–
Leases of between 10 to 50 years	27,000,000	27,000,000	–	–
Held outside Hong Kong				
Leases of between 10 to 50 years	30,810,930	48,194,720	21,810,930	20,694,720
	101,710,930	119,394,720	21,810,930	20,694,720

Other properties

	Group		Company	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Held in Hong Kong				
Leases of over 50 years	42,882,071	43,961,483	2,974,908	3,012,454
Held outside Hong Kong				
Freehold	272,000	278,400	–	–
Leases of over 50 years	1,473,693	1,510,434	–	–
Leases of between 10 to 50 years	963,545	997,244	861,610	889,741
	45,591,309	46,747,561	3,836,518	3,902,195

13. FIXED ASSETS (Continued)

The investment properties were revalued on an open market value basis at 31st December 2003 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\$29,072,559 (2002: HK\$29,724,317) had they been stated at cost less accumulated depreciation and impairment losses.

The title deeds in respect of certain investment properties in Hong Kong with a net book value of HK\$33.4 million (2002: HK\$34.2 million) held by a subsidiary are placed in the custody of the Office of the Commissioner of Insurance in Hong Kong.

14. SUBSIDIARIES

	Company	
	2003	2002
	HK\$	HK\$
Unlisted shares, at cost	60,655,034	60,655,026
Amounts due from subsidiaries	327,603,697	350,987,546
Amounts due to subsidiaries	(3,203)	(2,441)
	388,255,528	411,640,131
Less: Impairment losses	(161,389,174)	(175,952,782)
	226,866,354	235,687,349

14. SUBSIDIARIES (Continued)

The following is a list of the Company's principal subsidiaries at 31st December 2003:

Name	Place of incorporation/ operations	Principal activities	Nominal value of issued ordinary share capital/ registered capital	Group's equity interest
<i>Directly held:</i>				
Dorfine Development Limited	Hong Kong	Property investment	HK\$2	100%
Fujian Minxin Investment Consultants Co., Ltd. ^{(1) & (2)}	The People's Republic of China	Investment consulting	HK\$3,000,000 ⁽⁴⁾	100%
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	Writing of general insurance business	HK\$55,000,000	100%
Ranger Insurance Brokers Limited	Hong Kong	Insurance brokerage	HK\$100,000	100%
Take Chance Company Limited	Hong Kong	Property investment	HK\$2	100%
Thousand Limited	British Virgin Islands	Investment holding	US\$1	100%
Welljet Development Limited	Hong Kong	Property investment	HK\$2	100%

14. SUBSIDIARIES (Continued)

Name	Place of incorporation/ operations	Principal activities	Nominal value of issued ordinary share capital/ registered capital	Group's equity interest
<i>Indirectly held:</i>				
Crown Land International Limited	Hong Kong	Investment holding	HK\$10,000	100%
Jinan Pacific Real Estate Development Co., Ltd. ^{(1) & (3)}	The People's Republic of China	Property development and sales	RMB13,881,160 ⁽⁴⁾	51%
Min Xin Properties Limited	Hong Kong	Investment holding	HK\$5,000,000	100%
Shining Gold Limited	British Virgin Islands	Investment holding	US\$1	100%
Wide Exposure Developments Limited	British Virgin Islands	Investment holding	US\$1	100%

(1) Companies not audited by PricewaterhouseCoopers. The Group's profit before taxation attributable to these companies amounted to HK\$11,869,259 (2002: HK\$8,847,525).

(2) Wholly foreign-owned enterprise in Mainland China

(3) Equity joint venture enterprise in Mainland China.

(4) Registered and paid up capital

15. JOINTLY CONTROLLED ENTITIES

	Group	
	2003 HK\$	2002 HK\$
Share of net assets	496,093,152	450,102,609
Loans to jointly controlled entities (<i>note (a)</i>)	110,256,527	94,679,498
Amounts due from jointly controlled entities (<i>note (a)</i>)	51,130,299	51,130,299
	161,386,826	145,809,797
Less: Impairment losses (<i>note (b)</i>)	(145,053,156)	(145,809,797)
	16,333,670	–
	512,426,822	450,102,609
Unlisted investments, at cost	210,805,040	210,805,000

	Company	
	2003 HK\$	2002 HK\$
Unlisted investments, at cost	210,805,000	210,805,000
Loans to jointly controlled entities (<i>note (a)</i>)	93,922,857	94,679,498
Amounts due from jointly controlled entities (<i>note (a)</i>)	51,130,299	51,130,299
	355,858,156	356,614,797
Less: Impairment losses (<i>note (b)</i>)	(150,058,156)	(150,814,797)
	205,800,000	205,800,000

- (a) Loans and other amounts were advanced to the jointly controlled entities as part of the Group's and the Company's investments in these jointly controlled entities and are unsecured and have no fixed repayment terms. During the year, the Group advanced a loan of HK\$16,333,670 to a newly acquired jointly controlled entity, Min Faith Investments Limited, which is unsecured and interest free. Except for this newly granted loan, the remaining balances bear interest at 12% per annum (2002: 12%).

15. JOINTLY CONTROLLED ENTITIES (Continued)

- (b) As a result of the accumulated losses arising from certain joint ventures, impairment losses were recognised by the Group and the Company against the investments and the loans and amounts due from these jointly controlled entities in prior years. Interest income on these loans is accounted for on a cash basis and no interest income was received during the year (2002: HK\$70,282).
- (c) The Group and the Company also have bank deposits placed with jointly controlled financial institutions in the normal course of business which are included in cash and bank balances (*note 21(a)*).

The following is a list of the principal jointly controlled entities at 31st December 2003:

Name	Place of incorporation/ operations	Principal activities	Group's equity interest
Xiamen International Bank ⁽¹⁾ , and its subsidiaries:	The People's Republic of China	Banking and investment holding	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%

15. JOINTLY CONTROLLED ENTITIES (Continued)

Name	Place of incorporation/ operations	Principal activities	Group's equity interest
Min Faith Investments Limited ⁽²⁾ , and its subsidiaries:	Hong Kong	Investment holding	40%
Fuzhou Charm Faith Autosystem Co., Ltd. ⁽²⁾	The People's Republic of China	Manufacturing and distribution of digital instruments	40%
Min Faith Instruments Limited ⁽²⁾	Hong Kong	Investment holding	20.4%
Tianjin Charm Faith Instruments Co., Ltd. ⁽²⁾	The People's Republic of China	Manufacturing and distribution of digital instruments	20.4%
Westly Limited ⁽¹⁾ , and its subsidiary:	Hong Kong	Investment holding	50%
Asian Eagle Limited	Hong Kong	Property development and sales	50%

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

(2) Companies not audited by PricewaterhouseCoopers. The Group's attributable share of profit before taxation with respect to these newly acquired companies amounted to HK\$3,045,129.

15. JOINTLY CONTROLLED ENTITIES (Continued)

Xiamen International Bank (“XIB”) 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 XIB. The financial information of XIB extracted from its statutory accounts prepared in accordance with generally accepted accounting principles in The People’s Republic of China are as follows:

(a) Consolidated profit and loss account

	2003 HK\$’000	2002 HK\$’000
Profit before taxation	143,669	122,946
Taxation	(27,369)	(8,584)
Profit after taxation	116,300	114,362
Minority interests	–	556
Net profit	116,300	114,918

(b) Consolidated balance sheet

	2003 HK\$’000	2002 HK\$’000
Cash and short term funds	1,102,504	744,385
Investments	2,007,875	1,532,544
Loans and advances and other assets, less provisions	8,656,150	7,214,029
Fixed assets	212,270	218,742
	11,978,799	9,709,700
Share capital	800,000	800,000
Reserves	509,535	393,235
Shareholders’ equity	1,309,535	1,193,235
Deposits and other liabilities	10,669,264	8,516,465
	11,978,799	9,709,700

Net interest income, charge for bad and doubtful debts and depreciation charge of XIB during the year amounted to HK\$247,936,000 (2002: HK\$187,736,000), HK\$56,938,000 (2002: HK\$41,323,000) and HK\$20,804,000 (2002: HK\$18,714,000) respectively.

16. ASSOCIATES

	Group	
	2003 HK\$	2002 HK\$
Share of net assets	29,735,144	25,986,856
Loans to associates	70,664,162	84,871,020
Amount due from an associate	106,113	106,087
	70,770,275	84,977,107
Less: Impairment losses	–	(9,215,537)
	70,770,275	75,761,570
	100,505,419	101,748,426
Unlisted investments, at cost	16,355,633	6,285,803
	Company	
	2003 HK\$	2002 HK\$
Unlisted investments, at cost	10,069,838	–

The loans to and amount due from associates are unsecured, interest free and have no fixed repayment terms except for an amount of RMB1,520,000 (2002: RMB1,520,000) which bears interest at normal commercial rates and is repayable in two years from the drawdown date. At 31st December 2002, a RMB10 million interest bearing loan has been granted to an associate, on normal commercial terms, for the purpose of financing a property project. The loan was secured by a piece of land in Mainland China and was fully repaid during the year. Interest income received and receivable from the associate during the year amounted to HK\$385,145 (2002: HK\$220,969).

16. ASSOCIATES (Continued)

The following is a list of the principal associates at 31st December 2003:

Name	Place of incorporation/ operations	Principal activities	Group's equity interest
Changchun Changxin International Real Estate Development Co., Ltd. ⁽¹⁾ (note 31(a))	The People's Republic of China	Property development and sales	20%
Fujian Hua Yuan City Construction Environment Protection Co., Ltd. ⁽¹⁾	The People's Republic of China	Sewage and waste treatment services	25%
Promise Good Limited ⁽¹⁾ , and its subsidiaries:	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⁾	The People's Republic of China	Infrastructure	26% ⁽²⁾
Ningbo Rayter Highway Development Company Limited ⁽¹⁾	The People's Republic of China	Infrastructure	26% ⁽²⁾
Ningbo Wise Link Highway Development Company Limited ⁽¹⁾	The People's Republic of China	Infrastructure	26% ⁽²⁾
Vigorous Developments Limited ⁽¹⁾ , and its subsidiary:	British Virgin Islands	Investment holding	30%
Maanshan Huan Tung Highway Development Limited ⁽¹⁾	The People's Republic of China	Infrastructure	21% ⁽³⁾

16. ASSOCIATES (Continued)

- (1) Companies not audited by PricewaterhouseCoopers. The Group's attributable share of net loss before taxation with respect to these companies amounted to HK\$7,952,681 (2002: a profit of HK\$5,779,639).
- (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	
	2003	2002
	HK\$	HK\$
Advance to an unrelated company	64,500,000	64,500,000
Less: Impairment loss	(6,450,000)	(6,450,000)
	58,050,000	58,050,000

The advance is secured by certain units of a building in Fuzhou, Mainland China. Interest of 14% and management fee of 4% per annum is payable by the borrower on the advance.

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 on secured units of the building held as collateral. The Company is currently taking steps to arrange for the disposal of the properties collateral by public auction and the directors, based on a valuation report obtained, consider that an impairment loss of HK\$6,450,000 against the advance is adequate and appropriate. The Group and the Company have ceased accruing interest and management fee on the advance since 2001.

18. PROPERTIES HELD FOR SALE

	Group	
	2003	2002
	HK\$	HK\$
Properties under development, at cost	—	7,588,000
Completed properties, at cost	32,960,761	16,097,878
	32,960,761	23,685,878

19. INSURANCE DEBTORS

The credit period for the majority of insurance debtors normally ranges from 90 to 120 days. The credit terms of insurance debtors, including whether guarantees from third parties are required, are determined by senior management.

At 31st December 2003, the ageing analysis of the insurance debtors by invoice date was as follows:

	Group	
	2003	2002
	HK\$	HK\$
Within 30 days	3,359,470	3,793,371
31 – 60 days	3,468,581	7,783,371
61 – 90 days	2,970,985	4,053,969
Over 90 days	3,978,278	2,829,400
	13,777,314	18,460,111

20. TRADING SECURITIES

	Group		Company	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Equity securities, listed in Hong Kong at market value	5,665,096	14,028,704	3,115,096	9,525,768

21. CASH AND BANK BALANCES

Included in cash and bank balances are:

- (a) deposits with jointly controlled financial institutions totalling HK\$216,143,594 (2002: HK\$133,182,917) by the Group and HK\$204,849,872 (2002: HK\$121,964,951) by the Company. The deposits carry interest at normal commercial rates and have generated interest income of HK\$2,065,685 (2002: HK\$2,360,211) to the Group for the year.
- (b) deposits of RMB143,046,050 (equivalent to HK\$134,713,618) placed with certain banks (including jointly controlled financial institutions as disclosed in note (a) above) in Mainland China (2002: RMB117,342,495, equivalent to HK\$110,480,893).

In accordance with the requirement from The Commissioner of Insurance in Hong Kong, a subsidiary maintains at all times a portion of its funds, being not less than HK\$16 million (2002: HK\$16 million), in fixed deposits. The subsidiary also maintains a bank deposit of HK\$5,237,030 (2002: HK\$5,700,971) for fulfilling certain requirements under the Macau Insurance Ordinance.

22. INSURANCE LIABILITIES

At 31st December 2003, the ageing analysis of the insurance liabilities by invoice date was as follows:

	Group	
	2003 HK\$	2002 HK\$
Within 30 days	796,351	2,303,248
31 – 60 days	1,771,455	2,212,207
61 – 90 days	1,218,123	1,444,832
Over 90 days	1,819,702	1,724,551
	5,605,631	7,684,838

23. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2002: 16%) for Hong Kong taxation and 33% (2002: 33%) for Mainland China taxation. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movement on the deferred tax liabilities account is as follows:

	2003 HK\$	2002 HK\$ (Note 1)
At the beginning of the year	3,803,715	3,415,586
Deferred taxation charged to profit and loss account	480,823	547,526
Deferred taxation charged/(credited) to other properties revaluation reserve	262,507	(159,397)
Exchange differences	423	–
At the end of the year	4,547,468	3,803,715

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. At 31st December 2003, the Group has estimated unrecognised tax losses of HK\$80,440,770 (2002: HK\$78,446,291) to carry forward against future taxable income. These tax losses have no expiry date.

23. DEFERRED TAXATION (Continued)

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities

	Accelerated tax depreciation		Revaluation of properties		Accrued income		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January	917,161	881,715	2,800,086	3,042,262	1,291,546	643,014	5,008,793	4,566,991
Charged/(credited) to profit and loss account	85,053	35,446	(88,285)	(82,779)	1,217,946	648,532	1,214,714	601,199
Charged to equity	–	–	262,507	(159,397)	–	–	262,507	(159,397)
Exchange differences	–	–	–	–	1,636	–	1,636	–
At 31st December	1,002,214	917,161	2,974,308	2,800,086	2,511,128	1,291,546	6,487,650	5,008,793

Deferred tax assets

	Tax losses		Unearned income		Total	
	2003	2002	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January	(929,865)	(907,703)	(275,213)	(243,702)	(1,205,078)	(1,151,405)
Charged/(credited) to profit and loss account	(71,437)	(22,162)	(662,454)	(31,511)	(733,891)	(53,673)
Exchange differences	–	–	(1,213)	–	(1,213)	–
At 31st December	(1,001,302)	(929,865)	(938,880)	(275,213)	(1,940,182)	(1,205,078)

23. DEFERRED TAXATION (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amount, determined after appropriate offsetting, is shown in the consolidated balance sheet:

	2003 HK\$	2002 HK\$
Deferred tax liabilities	4,547,468	3,803,715
The amount shown in the balance sheet includes the following:		
Deferred tax liabilities to be settled after more than 12 months	2,886,023	2,717,307

24. SHARE CAPITAL

	Authorised	
	Ordinary shares of HK\$1 each	
	No. of shares	HK\$
At 31st December 2003 and 2002	800,000,000	800,000,000
	Issued and fully paid	
	Ordinary shares of HK\$1 each	
	No. of shares	HK\$
At 31st December 2003 and 2002	459,428,656	459,428,656

25. RESERVES

Group

	Share premium HK\$	Capital redemption reserve HK\$	Statutory reserve HK\$	General reserve HK\$	Investment revaluation reserve HK\$	Other properties revaluation reserve HK\$	Exchange translation reserve HK\$	Capital reserve HK\$	Retained profit/ (accumulated loss) HK\$	Total HK\$
At 1st January 2003										
– as previously stated	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
– prior period adjustment on provision for net deferred tax liabilities (<i>Note 1(a)</i>)	–	–	–	–	(1,640,874)	(3,709,579)	–	–	(8,564,564)	(13,915,017)
At 1st January 2003, as restated	384,620,414	47,086,000	31,033,936	52,862,258	9,298,284	19,475,287	405,123	132,973,835	25,499,241	703,254,378
Impairment charge	–	–	–	–	–	–	–	–	–	–
Change in fair value of non-trading securities	–	–	–	–	562,366	–	–	–	–	562,366
Deferred tax liabilities recognised	–	–	–	–	(84,355)	(262,507)	–	–	–	(346,862)
Impairment of goodwill	–	–	–	–	–	–	–	1,459,692	–	1,459,692
Exchange differences arising on translation of the financial statements of foreign subsidiaries, associates and jointly controlled entities	–	–	–	–	–	–	(18,420)	–	–	(18,420)
Profit attributable to shareholders	–	–	–	–	–	–	–	–	56,786,807	56,786,807
Transfers	–	–	3,137,737	(8,489,835)	–	–	–	–	5,352,098	–
At 31st December 2003	384,620,414	47,086,000	34,171,673	44,372,423	9,776,295	19,212,780	386,703	134,433,527	87,638,146	761,697,961
Representing:										
2003 final dividend proposed									18,377,146	
Others									69,261,000	
Retained profit at 31st December 2003									87,638,146	

25. RESERVES (Continued)

Group

	Share premium HK\$	Capital redemption reserve HK\$	Statutory reserve HK\$	General reserve HK\$	Investment revaluation reserve HK\$	Other properties revaluation reserve HK\$	Exchange translation reserve HK\$	Capital reserve HK\$	Retained profit/ (accumulated loss) HK\$	Total HK\$
At 1st January 2002										
– as previously stated	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
– prior period adjustment on provision for net deferred tax liabilities (Note 1(a))	–	–	–	–	(1,280,912)	(3,868,976)	–	–	(1,627,831)	(6,777,719)
At 1st January 2002, as restated	384,620,414	47,086,000	29,177,827	86,758,875	7,218,474	20,312,125	1,261,267	93,835,473	(7,506,957)	662,763,498
Impairment charge	–	–	–	–	–	(996,235)	–	–	–	(996,235)
Change in fair value of non-trading securities	–	–	–	–	2,399,743	–	–	–	–	2,399,743
Deferred tax liabilities released/(recognised)	–	–	–	–	(359,962)	159,397	–	–	–	(200,565)
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 differences arising on translation of the financial statements of foreign subsidiaries, associates and jointly controlled entities	–	–	–	–	–	–	19,786	–	–	19,786
Profit attributable to shareholders	–	–	–	–	–	–	–	–	45,975,297	45,975,297
Capitalisation of reserves 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	9,298,284	19,475,287	405,123	132,973,835	25,499,241	703,254,378
Representing:										
2002 final dividend proposed									–	
Others									25,499,241	
Retained profit at 31st December 2002									25,499,241	

25. RESERVES (Continued)

Group

	Share premium	Capital redemption reserve	Statutory reserve	General reserve	Investment revaluation reserve	Other properties revaluation reserve	Exchange translation reserve	Retained profit/loss	Capital (accumulated loss)	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Company and subsidiaries	384,620,414	47,086,000	2,660	449,571	-	19,212,780	640,708	(3,819,491)	14,917,030	463,109,672
Jointly controlled entities	-	-	33,508,619	43,922,852	9,776,295	-	-	141,184,223	56,896,123	285,288,112
Associates	-	-	660,394	-	-	-	(254,005)	(2,931,205)	15,824,993	13,300,177
At 31st December 2003	384,620,414	47,086,000	34,171,673	44,372,423	9,776,295	19,212,780	386,703	134,433,527	87,638,146	761,697,961
Company and subsidiaries	384,620,414	47,086,000	-	249,280	-	19,475,287	637,763	(3,819,491)	(3,916,878)	444,332,375
Jointly controlled entities	-	-	30,463,007	52,612,978	9,298,284	-	-	141,184,223	5,739,116	239,297,608
Associates	-	-	570,929	-	-	-	(232,640)	(4,390,897)	23,677,003	19,624,395
At 31st December 2002	384,620,414	47,086,000	31,033,936	52,862,258	9,298,284	19,475,287	405,123	132,973,835	25,499,241	703,254,378

The statutory reserve is set aside from retained earnings in accordance with the relevant statutory requirements. 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 2003, capital reserve included goodwill of HK\$6,826,441 (2002: HK\$8,286,133) and negative goodwill of HK\$75,745 (2002: HK\$75,745).

25. RESERVES (Continued)

Company

	Share premium HK\$	Capital redemption reserve HK\$	Retained profit/ (accumulated loss) HK\$	Total HK\$
At 1st January 2003	384,620,414	47,086,000	(4,161,914)	427,544,500
Profit for the year	–	–	23,399,424	23,399,424
At 31st December 2003	384,620,414	47,086,000	19,237,510	450,943,924
Representing:				
2003 final dividend proposed			18,377,146	
Others			860,364	
Retained profit at 31st December 2003			19,237,510	
At 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
Representing:				
2002 final dividend proposed			–	
Others			(4,161,914)	
Accumulated loss at 31st December 2002			(4,161,914)	

26. CONTINGENT LIABILITIES

	Group		Company	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Guarantees	13,800,340	9,454,335	–	–

A subsidiary has issued guarantees for bank 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	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Authorised but not contracted for	–	2,750,000	–	2,750,000
Contracted but not provided for	284,760	573,850	156,133	156,095
	284,760	3,323,850	156,133	2,906,095

The Group's share of capital commitments of the jointly controlled entities not included above is as follows:

Contracted but not provided for	1,421,817	3,487,532
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28. LEASE COMMITMENTS

(a) As lessee

At 31st December 2003, the Group and the Company had future aggregate minimum lease payments payable under non-cancellable operating leases as follows:

	Group		Company	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Land and buildings				
Within one year	270,920	226,920	1,090,320	196,000
In the second to fifth year inclusive	184,000	–	184,000	–
	454,920	226,920	1,274,320	196,000

(b) As lessor

At 31st December 2003, the Group had future aggregate minimum lease payments receivable under non-cancellable operating leases as follows:

	Group	
	2003	2002
	HK\$	HK\$
Land and buildings		
Within one year	4,416,262	2,155,800
In the second to fifth year inclusive	5,506,104	187,148
	9,922,366	2,342,948

The lease terms for business and residential properties leased out by the Group range from one to six years, with fixed rentals throughout the lease periods.

29. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW GENERATED FROM OPERATIONS

	2003 HK\$	2002 HK\$
Profit before taxation	74,938,581	60,750,443
Share of profits of jointly controlled entities	(57,985,181)	(44,725,535)
Share of losses/(profits) of associates	8,051,584	(5,434,146)
Deficit on revaluation of investment properties	1,883,790	5,859,573
Write back of impairment losses for loans to and amounts due from jointly controlled entities and associates	(9,974,236)	(11,111,608)
Depreciation	2,525,369	2,488,199
Gain on winding up of subsidiaries	–	(6,747,175)
Loss on sale of fixed assets	34,170	76,284
(Gain)/loss on disposal of investment properties	(11,797,570)	26,949
Goodwill written off	1,459,692	–
Dividend income from listed investments	(566,663)	(358,764)
Interest income from debt securities	(111,433)	–
Interest income	(4,890,891)	(7,039,576)
Operating profit/(loss) before working capital changes	3,567,212	(6,215,356)
Decrease in amounts due from jointly controlled entities	–	126,898
(Increase)/decrease in amounts due from associates	(26)	287
(Increase)/decrease in properties held for sale	(9,274,883)	22,237,239
Decrease in deferred acquisition costs	1,220,711	5,430
Decrease/(increase) in insurance debtors	4,682,797	(1,932,653)
Decrease/(increase) in claims recoverable from reinsurers	1,268,507	(2,943,421)
Decrease in other debtors and prepayments	9,787,006	27,783,944
Decrease in trading securities	8,363,608	385,411
(Decrease)/increase in unearned premiums	(4,653,442)	119,085
Decrease in unexpired risks	(47,000)	(843,000)
(Decrease)/increase in gross outstanding insurance claims	(7,131,700)	4,014,056
Decrease in insurance liabilities	(2,079,207)	(885,686)
Increase/(decrease) in other creditors and accruals	14,086,708	(40,210,321)
Exchange difference	10,426	7,275
Net cash inflow generated from operations	19,800,717	1,649,188

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) Gross insurance premium less commission paid totalling HK\$4,686,479 (2002: HK\$5,263,834) was generated from jointly controlled entities for the year. Those insurance policies underwritten by the Group were contracted at prices and terms not less favourable than those contracted with other third party customers of the Group.
- (b) An amount of HK\$1,880,000 (2002: 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) During the year, the Group together with a subsidiary of one of its substantial shareholders entered into an agreement with a third party to dispose of a building in which certain floors were held by the Group as investment properties. The Group paid a fee of HK\$400,000 to a jointly controlled entity for advice and agency services received in the negotiation of this transaction and a gain of approximately HK\$11.8 million (*note 2*) was recognised by the Group on the disposal.

31. POST BALANCE SHEET DATE EVENTS

- (a) In December 2003, the Group entered into an agreement ("the Agreement") with a third party ("the Transferee") to transfer its equity and debt interest in an associated company, Changchun Changxin International Real Estate Development Co., Ltd. ("the Associate") (*note 16*) at a cash consideration of RMB22.15 million (equivalent to approximately HK\$20.9 million). The transferee would also reimburse any taxes or levies paid or payable by the Group in Mainland China other than stamp duty arising from this transaction. The transaction was completed in March 2004 upon the full settlement of the cash consideration by the Transferee.

At 31st December 2003, the net carrying value of the Group's investment in the Associate (including the balances due from the Associate) is approximately HK\$14.8 million after the write back of the provisions previously made against the balances due from this Associate of approximately HK\$9.2 million (*note 4*). A gain on disposal of the Associate of approximately HK\$6.1 million will be recorded by the Group in 2004.

- (b) In April 2004, the Group entered into a sale and purchase agreement with a third party ("the Buyer") to dispose of one of the Group's investment properties ("the Property") at a cash consideration of HK\$52 million. The carrying value of the property is HK\$37.5 million at 31st December 2003 based on an independent professional valuation.

The transaction is to be completed on or before 30th June 2004. As at the date of this report, the Group has received a cash deposit of HK\$5.2 million from the Buyer.

32. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 23rd April 2004.