

Notes to the Financial Statements

for the year ended 31st December, 2003

1. GENERAL

The Company is a listed public limited company incorporated in Hong Kong Special Administrative Region (“Hong Kong”).

The Company acts as an investment holding company and provides corporate management services. The principal activities of its principal subsidiaries, associates and jointly controlled entities at 31st December, 2003 are set out in notes 45, 46 and 47 respectively.

2. ADOPTION OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the Statement of Standard Accounting Practice (“SSAP”) No. 12 (Revised) “Income taxes” (“SSAP 12 (Revised)”) issued by the Hong Kong Society of Accountants. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. The adoption of SSAP 12 (Revised) has been applied retrospectively. Comparative amounts for prior years have been restated accordingly.

The financial effect of the adoption of SSAP 12 (Revised) is summarised below:

	Negative goodwill HK\$'000	Interest in associates HK\$'000	Interest in jointly controlled entities HK\$'000	Deferred tax assets HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Accumulated profits HK\$'000	Minority interests HK\$'000	Deferred tax liabilities HK\$'000
Balance at 1st January, 2002										
- As previously stated	(438,073)	2,137,524	1,345,110	-	15,784	(110,422)	371,367	1,333,506	4,447,482	13,277
- Arising from the adoption of SSAP 12 (Revised)	47,844	(122,904)	(105,373)	32,216	(4,981)	20,802	(16,382)	(72,046)	(88,740)	13,130
- As restated	<u>(390,229)</u>	<u>2,014,620</u>	<u>1,239,737</u>	<u>32,216</u>	<u>10,803</u>	<u>(89,620)</u>	<u>354,985</u>	<u>1,261,460</u>	<u>4,358,742</u>	<u>26,407</u>

The adoption of SSAP 12 (Revised) has increased the loss for the year ended 31st December, 2002 by HK\$24,947,000.

for the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

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

Goodwill and negative goodwill (capital reserve)

Goodwill and negative goodwill (capital reserve) arising on consolidation represents the excess or shortfall of the purchase consideration over the fair value of the Group's share of the separable net assets at the date of acquisition of subsidiaries, associates or jointly controlled entities.

Goodwill and capital reserve arising on acquisitions prior to 1st January, 2001 continue to be held in reserves. Goodwill will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired. Capital reserve has been allocated against the non-monetary assets of the subsidiaries, associates or jointly controlled entities acquired and is realised in accordance with the realisation of those underlying assets. Where it has not been practicable to allocate the capital reserve to the underlying assets with any reasonable accuracy, the reserve is released on a systematic basis over a period not exceeding five years. On disposal of a subsidiary, an associate or a jointly controlled entity, any previously unrealised capital reserve is included in the calculation of the profit or loss on disposal.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised over its estimated useful life of five years. Goodwill arising on acquisition of an associate or a jointly controlled entity is included in the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of a subsidiary is presented separately on the balance sheet. Negative goodwill arising on acquisition of a subsidiary after 1st January, 2001 is presented as a deduction from non-current assets and will be released to the income statement based on an analysis of the circumstances from which the balance resulted. Negative goodwill arising on the acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity. Currently, negative goodwill will be released to the income statement over a period of five years.

for the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign currencies

Transactions in currencies other than Hong Kong Dollars are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates ruling on the balance sheet date. Income and expenses items are translated at the average exchange rate for the period. Exchange differences arising, if any, are dealt with in reserves. On disposal of an operation outside Hong Kong, the balance of the translation reserve attributable to that operation is transferred to the income statement as part of the profit or loss on disposal of that operation.

Revenue recognition

When properties are developed for sale, income is recognised on the execution of a binding sales agreement or when the relevant building occupation permit is issued by the building authority, whichever is the later. Payments received from purchasers prior to this stage are recorded as deposits received, which are shown as a current liability. When the consideration is in the form of cash or cash equivalents, and the receipt of the consideration is deferred, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight line basis over the terms of the relevant leases.

Sales of goods are recognised when goods are delivered and title has passed.

Sales of investments are recognised on a trade date or contract date basis, where appropriate.

Service income is recognised when services are provided.

Revenue from hotel operations is recognised when services are provided.

Brokerage income recognised in the accounts represents brokerage income accrued on all broking transactions traded on or before 31st December each year.

Interest income receivable from customers is recognised in the income statement on a time basis by reference to the principal outstanding and at the interest rate applicable, except in the case of loans which are overdue for which no interest is accrued in the income statement.

Interest income from bank deposits is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Profits and losses on trading in foreign currencies include both realised and unrealised gains less losses and charges less premium arising from position squaring and valuation at the balance sheet date of foreign currency positions on hand.

for the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the terms of the relevant leases.

Bad and doubtful debts

Allowances for bad and doubtful debts are made, having regard to those losses that, although not yet specifically identified, are known from experience to be present in the Group's portfolio of loans and advances and accounts receivable. In determining the level of allowance required, management considers numerous factors including but not limited to, domestic and international economic conditions, the composition of the loan portfolio and accounts receivable and prior loss experience in respect of loans and advances and accounts receivable.

Finance leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered impairment losses. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

Employee benefits

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

The contributions payable to the Group's retirement benefit schemes and mandatory provident fund schemes are charged to the income statement when incurred.

for the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates, and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Fixed assets

Fixed assets, other than investment properties, are stated at cost less depreciation and impairment loss. Leasehold land and buildings are stated at cost or valuation less depreciation and impairment loss. Expenditure on major inspections and overhauls of fixed assets is capitalised as a separate component of the relevant asset.

Advantage has been taken of the transitional relief provided by paragraph 80 of SSAP 17 "Property, plant and equipment" from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30th September, 1995, and accordingly no further revaluation of land and buildings is carried out. In previous years, any surplus arising on the revaluation of these assets was credited to the revaluation reserve. Any future deficit in value of these assets will be dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

for the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fixed assets (Cont'd)

Depreciation is provided to write off the cost or valuation of fixed assets other than investment properties which are held on leases with an unexpired term of more than 20 years, over their estimated useful lives, using the straight-line method, at the following rates per annum:

Long-term leasehold land	Over the remaining terms of the leases
Buildings	2% to 3% or over the remaining terms of the leases, if less than 50 years
Leasehold improvements	20% or over the term of the leases, if shorter
Furniture, fixtures and equipment	10% to 50%
Motor vehicles and vessels	16 ² / ₃ % to 20%

The profit or loss arising on the disposal or retirement of an item of fixed assets other than investment properties is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market values based on professional valuations at the balance sheet date. Any surplus or deficit arising on the valuation of investment properties is credited or charged to the property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than 20 years.

On disposal of an investment property, the balance on the property revaluation reserve attributable to that property is transferred to the income statement as part of the profit or loss on disposal of the property.

Intangible assets

Expenditure on computer software that is not an integral part of the related hardware is capitalised as an intangible asset and amortised using the straight-line method over its estimated useful life of five years. Where an indication of impairment exists, the carrying amount of the intangible asset is assessed and written down to its recoverable amount.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Properties under development

Land and buildings in the course of development for production, rental or administrative purposes or for purposes not yet determined, are carried at cost, less any impairment loss considered necessary by the Directors. Cost includes land cost, development cost, borrowing cost and other direct costs attributable to such properties, net of any rentals and interest income earned, until the relevant properties reach a marketable state. Depreciation of these assets, calculated on the same basis as other property assets, commences when the assets are put into use.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

Interest in associates

The results and assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting less any identified impairment loss. Unamortised goodwill or capital reserve arising on the acquisition of associates prior to 1st January, 2001 is included in reserves.

When the Group transacts with an associate, unrealised profits are eliminated to the extent of the Group's interest in the relevant associate. Unrealised losses are eliminated to the extent of the Group's interest in the relevant associate, except where the transaction provides evidence of an impairment of the asset transferred.

Interest in jointly controlled entities

The results and assets and liabilities of jointly controlled entities are incorporated in the financial statements using the equity method of accounting less any identified impairment loss. Unamortised goodwill or capital reserve arising on the acquisition of jointly controlled entities prior to 1st January, 2001 is included in reserves.

When the Group transacts with a jointly controlled entity, unrealised profits are eliminated to the extent of the Group's interest in the relevant jointly controlled entity. Unrealised losses are eliminated to the extent of the Group's interest in the relevant jointly controlled entity, except where the transaction provides evidence of an impairment of the asset transferred.

for the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Securities held for trading, arbitrage and underwriting purposes are measured at fair value at subsequent reporting dates. Any unrealised gains and losses are included in net profit or loss for the year.

Non-trading securities are measured at fair value or estimated fair value at subsequent reporting dates. Any unrealised gains and losses are dealt with in the investment revaluation reserve until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the year.

Other investments

Other investments are stated at cost less any identified impairment loss.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes land cost, development cost, borrowing costs and other direct costs attributable to such properties, net of any rental and interest income earned, until the relevant properties reach a marketable state. Net realisable value is determined by reference to management estimates of the selling price based on prevailing market conditions, less all estimated costs to completion and costs to be incurred in marketing and selling.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, being assets which necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of proceeds from specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

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4. TURNOVER

Turnover represents the gross proceeds received and receivable derived from the sale of goods and properties, securities trading and broking, consumer finance, property rental, hotel operations and property management services, provision of consultancy and other services, interest and dividend income, income from corporate finance and advisory services, and income from securities margin financing and term loan financing and insurance broking services, and the following stated net of losses: income from bullion transactions and differences on foreign exchange transactions.

	2003 HK\$'000	2002 HK\$'000
Interest income on loans and advances to consumer finance customers	763,006	892,742
Other interest income	208,615	302,368
Securities broking	185,130	122,749
Property rental, hotel operations and management services	159,338	150,400
Income from forex, bullion, commodities and futures	123,962	79,145
Income from corporate finance and others	116,576	58,496
Dividend income	19,666	24,565
Securities trading	16,991	67,578
Sale of properties	16,000	112,883
Sales of goods	198	1,351
	<u>1,609,482</u>	<u>1,812,277</u>

5. SEGMENTAL INFORMATION

The Group has the following main business segments:

- Investment, broking and finance – trading in securities, provision of securities broking and related services, provision of broking services in forex, bullion and commodities, provision of securities margin financing and insurance broking service, provision of related financing and advisory product, and provision of term loan financing.
- Consumer finance – providing consumer loan finance products.
- Property development and investment – development and sale of properties, properties rental, provision of property management services and hotel operations managed by third parties.
- Corporate and other operations – including corporate revenue and expenses and results of unallocated operations.

Business segments are presented as the primary reporting format and geographical segments as the secondary reporting format.

for the year ended 31st December, 2003

5. SEGMENTAL INFORMATION (CONT'D)

Analysis of the Group's businesses segmental information is as follows:

	2003				
	Investment, broking and finance HK\$'000	Consumer finance HK\$'000	Property development and investment HK\$'000	Corporate and other operations HK\$'000	Total HK\$'000
Turnover	684,693	763,322	182,198	32,468	1,662,681
Less: inter-segment turnover	(15,322)	-	(6,860)	(31,017)	(53,199)
	669,371	763,322	175,338	1,451	1,609,482
Profit from operations	152,977	328,309	7,765	23,793	512,844
Other finance costs					(61,277)
Amortisation of goodwill					(7,142)
Release of negative goodwill					237,923
Amortisation of capital reserve					17,267
Share of results of associates					135,708
Share of results of jointly controlled entities	-	-	22,900	-	22,900
Profit before taxation					858,223
Taxation					(127,518)
Profit after taxation					730,705
Segment assets	3,435,689	1,845,998	2,807,274	5,869	8,094,830
Interests in associates					2,201,871
Interests in jointly controlled entities	937	-	1,086,442	-	1,087,379
Deferred tax assets					35,743
Amounts due from associates					266,303
Amount due from a jointly controlled entity	-	-	2,056	-	2,056
Tax recoverable					5,281
Total assets					11,693,463
Segment liabilities	1,614,109	34,856	107,185	13,296	1,769,446
Amounts due to associates					38,081
Amount due to a jointly controlled entity	-	-	171,658	-	171,658
Taxation					60,162
Bank and other borrowings					2,372,838
Deferred tax liabilities					21,406
Total liabilities					4,433,591
Other information					
Depreciation	17,133	6,146	5,556	532	29,367
Amortisation of intangible assets	2,780	-	-	-	2,780
Impairment losses recognised	6,524	189	34,746	-	41,459
Deficits arising on revaluation of investment properties	-	-	6,145	-	6,145
Bad and doubtful debts	(19,339)	250,552	-	(454)	230,759
Capital expenditure	15,631	5,379	12,720	849	34,579

Notes to the Financial Statements (Cont'd)

for the year ended 31st December, 2003

5. SEGMENTAL INFORMATION (CONT'D)

	2002				Total HK\$'000
	Investment, broking and finance HK\$'000	Consumer finance HK\$'000	Property development and investment HK\$'000	Corporate and other operations HK\$'000	
Turnover	665,405	892,742	268,868	43,284	1,870,299
Less: inter-segment turnover	(10,985)	-	(5,585)	(41,452)	(58,022)
	<u>654,420</u>	<u>892,742</u>	<u>263,283</u>	<u>1,832</u>	<u>1,812,277</u>
Profit (loss) from operations	128,162	189,243	(531,806)	3,624	(210,777)
Other finance costs					(72,183)
Amortisation of goodwill					(7,142)
Release of negative goodwill					136,899
Amortisation of capital reserve					17,267
Share of results of associates					117,473
Share of results of jointly controlled entities	-	-	(22,730)	-	(22,730)
Loss before taxation					(41,193)
Taxation					(82,972)
Loss after taxation					<u>(124,165)</u>
Segment assets	2,251,601	1,926,224	2,872,436	76,132	7,126,393
Interests in associates					2,026,470
Interests in jointly controlled entities	936	-	1,122,364	-	1,123,300
Deferred tax assets					28,602
Amounts due from associates					294,787
Amount due from a jointly controlled entity	-	-	1,564	-	1,564
Total assets					<u>10,601,116</u>
Segment liabilities	695,965	154,971	128,297	11,199	990,432
Amounts due to associates					37,544
Amount due to a jointly controlled entity	-	-	178,041	-	178,041
Taxation					15,412
Bank and other borrowings					1,775,873
Deferred tax liabilities					24,624
Total liabilities					<u>3,021,926</u>
Other information					
Depreciation	16,752	13,801	6,926	574	38,053
Amortisation of intangible assets	1,366	-	-	-	1,366
Impairment losses recognised	11,686	-	121,720	-	133,406
Deficits arising on revaluation of investment properties	-	-	440,948	-	440,948
Bad and doubtful debts	24,027	467,992	14,632	(536)	506,115
Capital expenditure	18,474	3,961	96,596	376	119,407

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5. SEGMENTAL INFORMATION (CONT'D)

Inter-segment transactions have been entered into on terms agreed by the parties concerned.

During the year, less than 10% of the operations of the Group in terms of turnover, results of operations and assets were carried on or were situated outside Hong Kong. Accordingly, no geographical segmental information is shown.

6. IMPAIRMENT LOSSES AND REVALUATION DEFICITS

	2003 HK\$'000	2002 HK\$'000
Impairment losses and revaluation deficits comprise:		
Impairment losses recognised in respect of:		
Properties held for sale	22,546	104,000
Properties under development	12,200	17,100
Non-trading securities	6,713	12,306
	<u>41,459</u>	<u>133,406</u>
Deficits arising on revaluation of investment properties	6,145	440,948
	<u>47,604</u>	<u>574,354</u>

7. BAD AND DOUBTFUL DEBTS

	2003 HK\$'000	2002 HK\$'000
Bad debts written off	278,758	480,194
Allowances for doubtful debts	32,309	50,157
Bad debts recovered	(80,308)	(24,236)
	<u>230,759</u>	<u>506,115</u>

Notes to the Financial Statements (Cont'd)

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8. PROFIT (LOSS) FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit (loss) from operations has been arrived at after charging:		
Auditors' remuneration		
Current year	5,848	5,654
Overprovision in prior years	(66)	(483)
	<u>5,782</u>	<u>5,171</u>
Amortisation of intangible assets (included in other operating expenses)	2,780	1,366
Commission expenses and sales incentives to account executives and certain staff	103,754	52,277
Depreciation		
Owned assets	28,854	37,583
Assets held under a finance lease	513	470
	<u>29,367</u>	<u>38,053</u>
Loss arising from default of loan agreement with Millennium Touch Limited (note 26)	–	10,110
Loss on disposal of an associate	3,088	–
Loss on disposal of fixed assets	3,273	1,378
Loss on disposal of non-trading securities	753	–
Loss on disposal of subsidiaries	2,229	–
Net realised loss on trading securities	–	5,361
Net unrealised loss on trading securities	–	11,193
Provision for interest and legal costs in respect of a litigation (note)	58,364	–
Retirement benefit scheme contributions, net of forfeited contributions of HK\$1,405,000 (2002: HK\$1,233,000) (note 41)	13,668	14,423
Staff costs (including Directors' emoluments but excluding retirement benefit scheme contributions)	286,151	270,864
and after crediting:		
Dividend income from investments in listed securities	11,121	7,285
Dividend income from investments in unlisted securities	8,545	17,280
Net realised profit on derivatives	6,403	75
Net profit on other dealing activities	4,531	706
Net realised profit on trading securities	5,728	–
Net unrealised profit on trading securities	7,142	–
Profit on disposal of non-trading securities	–	1,123
Profit on dealing in foreign currencies	16,938	9,110
Profit on disposal of subsidiaries	–	2,020
Profit on disposal of associates	–	3,725
Profit on repurchase of loan notes	23,226	–
Rental income from investment properties under operating leases, net of outgoings of HK\$18,280,000 (2002: HK\$17,290,000)	45,400	42,412
Write-back of loss arising from default of loan agreement with Millennium Touch Limited (note 26)	26,412	–
	<u>26,412</u>	<u>–</u>

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8. PROFIT (LOSS) FROM OPERATIONS (CONT'D)

Note: On 1st April, 2004, the High Court of Hong Kong awarded a judgment ("Judgment") in favour of New World Development Company Limited ("NWDC") against Sun Hung Kai Securities Limited ("SHKS"), a wholly-owned subsidiary of Sun Hung Kai & Co. Limited ("Sun Hung Kai"), following legal proceedings regarding a joint venture in respect of land and two hotels in Kuala Lumpur, Malaysia. The Judgment was for a principal amount of HK\$80,117,653 together with interest of HK\$25,416,366 and interest at judgment rate from 16th December, 1998 until payment, and costs (together estimated by Sun Hung Kai to be in the region of HK\$159,000,000).

SHKS has since year 2000 booked as "Investments" an amount of approximately HK\$118,000,000 including payments already made to NWDC in a total sum of HK\$35,319,000. Additionally, a provision of approximately HK\$18,700,000 for interest was made in 2000. A further provision of HK\$58,364,000 has been made in these accounts in respect of interest and legal costs.

SHKS is currently seeking legal advice as to the Judgment and, subject to legal advice, intends to appeal against the Judgment.

Sun Hung Kai's present understanding of the Judgment is that SHKS now has an effective 12.5% interest, including its share of shareholders' loans, in a completed project in Kuala Lumpur consisting of two first class hotels with around 1,000 rooms, and a convention and retail complex presently known as "The Renaissance Kuala Lumpur Hotel".

9. INFORMATION REGARDING DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2003 HK\$'000	2002 HK\$'000
Directors' fees:		
Independent Non-Executive Directors	20	27
Other Directors	12	5
	32	32
Other emoluments:		
Independent Non-Executive Directors:		
Consultancy fees, salaries, housing and other benefits	1,919	3,475
Retirement benefit scheme contributions	–	53
	1,919	3,528
Other Directors:		
Salaries, housing and other benefits	8,869	7,264
Retirement benefit scheme contributions	203	149
	9,072	7,413
	11,023	10,973

The emoluments of the Directors were within the following bands:

	Number of Directors	
	2003	2002
HK\$ Nil – HK\$1,000,000	3	3
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$2,500,001 – HK\$3,000,000	–	1
HK\$3,000,001 – HK\$3,500,000	1	–
HK\$4,500,001 – HK\$5,000,000	1	1
	1	1

for the year ended 31st December, 2003

9. INFORMATION REGARDING DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONT'D)

(b) Employees' emoluments

The five highest paid individuals included two (2002: two) of the Directors, details of whose emoluments are set out in 9(a) above. The emoluments of the remaining three (2002: three) individuals are as follows:

	2003	2002
	HK\$'000	HK\$'000
Salaries and other benefits	17,515	10,247
Performance related incentive payments (overprovided)	6,750	(882)
Retirement benefit scheme contributions	311	363
	<u>24,576</u>	<u>9,728</u>

The emoluments of the above employees, who were not Directors of the Company, were within the following bands:

	Number of employees	
	2003	2002
HK\$2,000,001 – HK\$3,000,000	–	1
HK\$3,000,001 – HK\$3,500,000	–	1
HK\$3,500,001 – HK\$4,000,000	1	–
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$8,500,001 – HK\$9,000,000	1	–
HK\$12,000,001 – HK\$12,500,000	1	–

for the year ended 31st December, 2003

10. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	47,507	72,015
Other borrowings wholly repayable within five years	762	4,990
Bank borrowings not wholly repayable within five years	7,711	21,578
Loan notes wholly repayable within five years (note 32)	8,902	–
Obligations under a finance lease	65	93
	<u>64,947</u>	<u>98,676</u>
Less: Amount capitalised in respect of properties under development and properties under development for sale	<u>(149)</u>	<u>(5,367)</u>
	<u>64,798</u>	<u>93,309</u>
Total finance costs included in:		
Cost of sales	3,521	21,126
Other finance costs	61,277	72,183
	<u>64,798</u>	<u>93,309</u>

11. TAXATION

	2003 HK\$'000	2002 HK\$'000
The charge comprises:		
Current tax:		
Hong Kong	82,069	41,127
Outside Hong Kong	418	219
	<u>82,487</u>	<u>41,346</u>
Deferred tax (note 24):		
Current year	(8,764)	6,020
Effect of change in tax rate	(1,656)	–
Taxation attributable to the Company and subsidiaries	72,067	47,366
Share of taxation attributable to associates	38,751	22,710
Share of deferred taxation attributable to associates	6,724	9,490
Share of taxation attributable to jointly controlled entities	9,976	3,406
	<u>127,518</u>	<u>82,972</u>

for the year ended 31st December, 2003

11. TAXATION (CONT'D)

Hong Kong Profits Tax is calculated at the rate of 17.5% (2002: 16%) on the estimated assessable profits derived from Hong Kong.

Taxation outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit (loss) before taxation as follows:

	2003 HK\$'000	2002 HK\$'000
Profit (loss) before taxation	858,223	(41,193)
Less: share of results of associates	(135,708)	(117,473)
share of results of jointly controlled entities	(22,900)	22,730
Profit (loss) before taxation excluding share of results of associates and jointly controlled entities	<u>699,615</u>	<u>(135,936)</u>
Tax at Hong Kong Profits Tax rate of 17.5% (2002: 16%)	122,433	(21,750)
Tax effect of expenses that are not deductible for tax purposes	26,902	87,107
Tax effect of income that are not assessable for tax purposes	(63,168)	(41,096)
Tax effect of tax losses not recognised	12,878	30,386
Tax effect of utilisation of tax losses not previously recognised	(18,543)	(5,407)
Increase in opening deferred taxation due to change in tax rate	(1,656)	–
Tax effect of utilisation of unrecognised deductible temporary differences	(3,129)	(3,549)
Effect of different income tax rate of overseas subsidiaries	(2,559)	1,730
Others	(1,091)	(55)
Taxation attributable to the Company and subsidiaries	<u>72,067</u>	47,366
Share of taxation attributable to associates	38,751	22,710
Share of deferred taxation attributable to associates	6,724	9,490
Share of taxation attributable to jointly controlled entities	<u>9,976</u>	3,406
Taxation for the year	<u>127,518</u>	<u>82,972</u>

In addition to the amount charged to the income statement, deferred tax relating to the revaluation of the Group's properties has been charged directly to equity (see note 24).

12. DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31st December, 2003 (2002: Nil).

for the year ended 31st December, 2003

13. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the profit attributable to shareholders of HK\$486,466,000 (2002: loss of HK\$169,595,000 as restated) and on the weighted average number of 3,189,472,692 (2002: 3,409,866,308) shares in issue during the year.

Diluted earnings (loss) per share is not presented as the Company had no dilutive potential ordinary shares during both years.

14. FIXED ASSETS

	Investment properties – hotel property HK\$'000	Investment properties – others HK\$'000	Land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles and vessels HK\$'000	Total HK\$'000
The Group							
Cost or valuation							
At 1st January, 2003	276,579	1,645,537	104,274	86,643	131,710	25,505	2,270,248
Exchange adjustments	-	-	-	(7)	(18)	-	(25)
Transferred from properties held for sale	-	252,102	-	-	-	-	252,102
Additions	-	-	1,207	4,243	8,400	938	14,788
Acquisition of subsidiaries	-	-	32,000	137	863	-	33,000
Other disposals	-	-	-	(16,361)	(6,797)	(1,334)	(24,492)
Surplus (deficit) arising on revaluation	1,459	(7,604)	-	-	-	-	(6,145)
At 31st December, 2003	278,038	1,890,035	137,481	74,655	134,158	25,109	2,539,476
Comprising:							
At cost	-	-	121,481	74,655	134,158	25,109	355,403
At valuation in 1985	-	-	16,000	-	-	-	16,000
At valuation in 2003	278,038	1,890,035	-	-	-	-	2,168,073
	278,038	1,890,035	137,481	74,655	134,158	25,109	2,539,476
Depreciation							
At 1st January, 2003	-	-	17,952	64,554	90,394	23,652	196,552
Exchange adjustments	-	-	-	(2)	(18)	-	(20)
Provided for the year	-	-	2,751	9,148	16,505	963	29,367
Eliminated on other disposals	-	-	-	(13,323)	(6,466)	(1,329)	(21,118)
At 31st December, 2003	-	-	20,703	60,377	100,415	23,286	204,781
Net book values							
At 31st December, 2003	278,038	1,890,035	116,778	14,278	33,743	1,823	2,334,695
At 31st December, 2002	276,579	1,645,537	86,322	22,089	41,316	1,853	2,073,696

for the year ended 31st December, 2003

14. FIXED ASSETS (CONT'D)

The net book value of properties held by the Group at 31st December, 2003 and 2002 comprised:

	2003			2002		
	Investment properties – hotel property HK\$'000	Investment properties – others HK\$'000	Land and buildings HK\$'000	Investment properties – hotel property HK\$'000	Investment properties – others HK\$'000	Land and buildings HK\$'000
Properties in						
Hong Kong:						
Long-term	278,038	1,523,000	114,311	276,579	1,346,837	84,863
Medium-term	–	367,035	–	–	298,700	–
Properties outside						
Hong Kong:						
Medium-term	–	–	2,467	–	–	1,459
	278,038	1,890,035	116,778	276,579	1,645,537	86,322

The Group's hotel property is managed by an independent hotel operator and other investment properties are held for rental purposes under operating leases. The Group's investment properties in Hong Kong were revalued on 31st December, 2003 by FPD Savills (Hong Kong) Limited, Chartered Surveyors, on an open market value basis, at HK\$2,168,073,000 (2002: HK\$1,922,116,000).

In preparing these accounts, the Group has placed reliance on paragraph 80 of the SSAP 17, which provides exemption from the need to make regular revaluations for "Land and buildings" carried at a revalued amount prior to 30th September, 1995. Included in "Land and buildings" is a property carried at HK\$16,000,000 which was revalued in 1985 by Jones Lang Wootton, independent professional valuer, on an open market value basis. The carrying amount of the "Land and buildings", including the revalued property, would have been HK\$118,460,000 (2002: HK\$88,035,000), had the property been carried at cost less depreciation.

The deficit of HK\$6,145,000 arising on revaluation during the year has been charged to the income statement. Of the deficit of HK\$443,217,000 for 2002, HK\$440,948,000 has been charged to the income statement. HK\$1,667,000, after adjusting for an amount attributable to minority interest of HK\$602,000, has been charged against the property revaluation reserve.

for the year ended 31st December, 2003

14. FIXED ASSETS (CONT'D)

The net book value of furniture, fixtures and equipment of HK\$33,743,000 (2002: HK\$41,316,000) includes an amount of HK\$1,580,000 (2002: 2,093,000) in respect of assets held under finance leases.

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
The Company				
Cost				
At 1st January, 2003	6,231	5,909	784	12,924
Additions	8	192	650	850
Disposals	–	(356)	(498)	(854)
At 31st December, 2003	<u>6,239</u>	<u>5,745</u>	<u>936</u>	<u>12,920</u>
Depreciation				
At 1st January, 2003	5,574	5,245	651	11,470
Provided for the year	170	260	100	530
Eliminated on disposals	–	(356)	(498)	(854)
At 31st December, 2003	<u>5,744</u>	<u>5,149</u>	<u>253</u>	<u>11,146</u>
Net book values				
At 31st December, 2003	<u>495</u>	<u>596</u>	<u>683</u>	<u>1,774</u>
At 31st December, 2002	<u>657</u>	<u>664</u>	<u>133</u>	<u>1,454</u>

Notes to the Financial Statements (Cont'd)

for the year ended 31st December, 2003

15. INTANGIBLE ASSETS

	The Group HK\$'000
<hr/>	
Computer Software	
Cost	
At 1st January, 2003	5,591
Additions	5,001
Written off	(959)
	<hr/>
At 31st December, 2003	9,633
	<hr/>
Amortisation	
At 1st January, 2003	731
Provided for the year	2,780
Eliminated on write off	(959)
	<hr/>
At 31st December, 2003	2,552
	<hr/>
Net book values	
At 31st December, 2003	7,081
	<hr/>
At 31st December, 2002	4,860
	<hr/>

16. GOODWILL

	The Group HK\$'000
<hr/>	
Cost	
At 1st January, 2003 and 31st December, 2003	34,820
	<hr/>
Amortisation	
At 1st January, 2003	11,902
Provided for the year	7,142
	<hr/>
At 31st December, 2003	19,044
	<hr/>
Net book values	
At 31st December, 2003	15,776
	<hr/>
At 31st December, 2002	22,918
	<hr/>

for the year ended 31st December, 2003

17. NEGATIVE GOODWILL

	The Group
	HK\$'000
Gross amount	
At 1st January, 2003	
– As previously stated	979,678
– Adjustment on adoption of SSAP 12 (Revised)	(74,890)
– As restated	904,788
Acquisition of additional interest in subsidiaries	353,280
Acquisition of subsidiaries	8,730
Released on disposal of a subsidiary	(3)
At 31st December, 2003	<u>1,266,795</u>
Released to income statement	
At 1st January, 2003	
– As originally stated	217,383
– Adjustment on adoption of SSAP 12 (Revised)	(19,657)
– As restated	197,726
Released during the year	237,923
Eliminated on disposal	(3)
At 31st December, 2003	<u>435,646</u>
Net book values	
At 31st December, 2003	<u>831,149</u>
At 31st December, 2002	<u>707,062</u>

18. PROPERTIES UNDER DEVELOPMENT

	The Group	
	2003	2002
	HK\$'000	HK\$'000
At cost, less impairment loss recognised:		
At 1st January	128,802	124,172
Exchange adjustments	(367)	–
Additions, including interest of HK\$149,000 (2002: HK\$190,000) capitalised	14,939	21,730
Impairment loss recognised	(12,200)	(17,100)
At 31st December	<u>131,174</u>	<u>128,802</u>

Notes to the Financial Statements (Cont'd)

for the year ended 31st December, 2003

18. PROPERTIES UNDER DEVELOPMENT (CONT'D)

The carrying value of properties under development held by the Group at 31st December, 2003 and 2002 comprised:

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Freehold properties outside Hong Kong	93,993	93,558
Long-term properties in Hong Kong	37,181	35,244
	<u>131,174</u>	<u>128,802</u>

At 31st December, 2003, the Group had interest capitalised of HK\$1,474,000 (2002: HK\$1,325,000) in respect of properties under development.

The impairment loss recognised was determined with reference to the open market values based on independent professional valuations at 31st December, 2003.

19. INTEREST IN SUBSIDIARIES

	The Company	
	2003	2002
	HK\$'000	HK\$'000
Listed securities in Hong Kong, at cost	692,516	692,516
Unlisted shares at cost, less impairment loss recognised	–	–
Amounts due from subsidiaries, less allowances	1,907,882	1,901,844
	<u>2,600,398</u>	<u>2,594,360</u>
Market value of listed securities in Hong Kong	<u>260,288</u>	<u>211,068</u>

Other than the loan notes issued by Sun Hung Kai, terms of which are shown in note 32, none of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

Particulars of the Company's principal subsidiaries at 31st December, 2003 are set out in note 45.

20. INTEREST IN ASSOCIATES

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Listed securities in Hong Kong (note 20(i))	1,970,437	1,826,802
Unlisted shares (note 20(ii))	231,434	199,668
	<u>2,201,871</u>	<u>2,026,470</u>

for the year ended 31st December, 2003

20. INTEREST IN ASSOCIATES (CONT'D)

Notes:

	The Group	
	2003	2002
	HK\$'000	HK\$'000
(i) Listed securities in Hong Kong		
Share of net assets other than goodwill	2,058,401	1,801,236
Unamortised goodwill on acquisition of associates (note 20(iii))	112,405	143,639
Unamortised negative goodwill on acquisition of associates (note 20(iv))	(200,369)	(118,073)
	<u>1,970,437</u>	<u>1,826,802</u>
Market value of listed securities	<u>950,062</u>	<u>585,287</u>

	The Group	
	2003	2002
	HK\$'000	HK\$'000
(ii) Unlisted shares		
Share of net assets other than goodwill	111,445	142,223
Unamortised goodwill on acquisition of associate (note 20(v))	5,940	-
Unamortised negative goodwill on acquisition of associates (note 20(vi))	(1,375)	(1,963)
	<u>116,010</u>	<u>140,260</u>
Less: impairment loss recognised	(21,892)	-
	<u>94,118</u>	<u>140,260</u>
Amounts due from associates	<u>137,316</u>	<u>59,408</u>
	<u>231,434</u>	<u>199,668</u>

The amounts due from associates are not repayable within twelve months.

(iii) Unamortised goodwill on acquisition of listed associates

	The Group HK\$'000
Cost	
At 1st January, 2003	
- As previously stated	228,559
- Adjustment on adoption of SSAP 12 (Revised)	3,745
	<u>232,304</u>
- As restated and at 31st December, 2003	<u>232,304</u>
Amortisation	
At 1st January, 2003	
- As previously stated	85,716
- Adjustment on adoption of SSAP 12 (Revised)	2,949
	<u>88,665</u>
- As restated	<u>88,665</u>
Provided for the year	<u>31,234</u>
At 31st December, 2003	<u>119,899</u>
Net book values	
At 31st December, 2003	<u>112,405</u>
At 31st December, 2002	<u>143,639</u>

for the year ended 31st December, 2003

20. INTEREST IN ASSOCIATES (CONT'D)

Notes (Cont'd):

- (iv) Unamortised negative goodwill on acquisition of listed associates

	The Group HK\$'000
Gross amount	
At 1st January, 2003	
– As previously stated	245,372
– Adjustment on adoption of SSAP 12 (Revised)	(28,696)
	<u>216,676</u>
– As restated	216,676
Acquisition of associates	<u>122,514</u>
At 31st December, 2003	<u>339,190</u>
Released to income statement	
At 1st January, 2003	
– As previously stated	107,813
– Adjustment on adoption of SSAP 12 (Revised)	(9,210)
	<u>98,603</u>
– As restated	98,603
Released during the year	<u>40,218</u>
At 31st December, 2003	<u>138,821</u>
Net book values	
At 31st December, 2003	<u>200,369</u>
At 31st December, 2002	<u>118,073</u>

- (v) Unamortised goodwill on acquisition of unlisted associates

	The Group HK\$'000
Cost	
At 1st January, 2003	7,805
Acquisition of associates	<u>6,364</u>
At 31st December, 2003	<u>14,169</u>
Amortisation	
At 1st January, 2003	7,805
Provided for the year	<u>424</u>
At 31st December, 2003	<u>8,229</u>
Net book values	
At 31st December, 2003	<u>5,940</u>
At 31st December, 2002	<u>–</u>

for the year ended 31st December, 2003

20. INTEREST IN ASSOCIATES (CONT'D)

Notes (Cont'd):

(vi) Unamortised negative goodwill on acquisition of unlisted associates

	The Group HK\$'000
Gross amount	
At 1st January, 2003 and 31st December, 2003	<u>2,981</u>
Released to income statement	
At 1st January, 2003	1,018
Released during the year	<u>588</u>
At 31st December, 2003	<u>1,606</u>
Net book values	
At 31st December, 2003	<u>1,375</u>
At 31st December, 2002	<u>1,963</u>

Particulars of the Company's principal associates at 31st December, 2003 are set out in note 46.

Extracts from the consolidated operating results, financial position and contingent liabilities of the Group's significant associate, Tian An China Investments Company Limited ("Tian An"), which are based on its audited consolidated financial statements, are as follows:

Operating results of Tian An for the years ended 31st December, 2003 and 2002:

	2003 HK\$'000	2002 HK\$'000 (Restated)
Turnover	1,904,212	1,080,332
Depreciation, amortisation and impairment	19,992	16,854
Profit before taxation	266,353	200,532
Profit attributable to shareholders of Tian An	<u>102,420</u>	<u>87,046</u>

Financial position of Tian An at 31st December, 2003 and 2002:

	2003 HK\$'000	2002 HK\$'000 (Restated)
Non-current assets	5,239,776	4,176,528
Current assets	<u>3,366,063</u>	<u>3,671,335</u>
Total assets	<u>8,605,839</u>	<u>7,847,863</u>
Non-current liabilities	1,476,081	948,510
Current liabilities	<u>2,749,075</u>	<u>2,690,446</u>
Total liabilities	<u>4,225,156</u>	<u>3,638,956</u>
Minority interests	<u>433,139</u>	<u>341,440</u>
	<u>3,947,544</u>	<u>3,867,467</u>
Contingent liabilities	<u>837,876</u>	<u>603,205</u>

for the year ended 31st December, 2003

21. INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2003	2002
	HK\$'000	HK\$'000 (Restated)
Unlisted shares		
Share of net assets	1,105,001	1,140,922
Elimination of unrealised profit	(17,622)	(17,622)
	<u>1,087,379</u>	<u>1,123,300</u>

Particulars of the Group's principal jointly controlled entities at 31st December, 2003 are set out in note 47.

Extracts from the consolidated operating results, financial position and contingent liabilities of the Group's significant jointly controlled entity, Allied Kajima Limited ("Allied Kajima"), which are based on its audited consolidated financial statements, are as follows:

Operating results of Allied Kajima for the years ended 31st December, 2003 and 2002:

	2003	2002
	HK\$'000	HK\$'000 (Restated)
Turnover	274,256	292,348
Depreciation	5,799	9,365
Profit before taxation	83,880	69,394
Profit attributable to shareholders of Allied Kajima	<u>63,929</u>	<u>62,581</u>

Financial position of Allied Kajima at 31st December, 2003 and 2002:

	2003	2002
	HK\$'000	HK\$'000 (Restated)
Non-current assets	2,522,214	2,599,629
Current assets	<u>451,755</u>	<u>467,842</u>
Total assets	<u>2,973,969</u>	<u>3,067,471</u>
Non-current liabilities	679,745	683,608
Current liabilities	<u>86,094</u>	<u>103,891</u>
Total liabilities	<u>765,839</u>	<u>787,499</u>
	<u>2,208,130</u>	<u>2,279,972</u>

Included in the share of results of jointly controlled entities in the consolidated income statement of HK\$22,900,000 (2002: loss of HK\$22,730,000 as restated) is an amount of HK\$19,041,000 ((2002: HK\$57,427,000) representing a revaluation deficit attributable to a jointly controlled entity.

for the year ended 31st December, 2003

22. INVESTMENTS

	Investments in securities						Total	
	Non-trading securities		Trading securities		Other investments		2003	2002
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group								
Listed equity securities, at market values, issued by corporate entities								
Hong Kong	346,734	204,041	42,125	19,874	-	-	388,859	223,915
Outside Hong Kong	2,903	1,461	4,243	1,799	-	-	7,146	3,260
issued by banks								
Hong Kong	-	-	-	1,390	-	-	-	1,390
issued by public utility entities								
Hong Kong	-	-	-	23	-	-	-	23
	<u>349,637</u>	<u>205,502</u>	<u>46,368</u>	<u>23,086</u>	<u>-</u>	<u>-</u>	<u>396,005</u>	<u>228,588</u>
Unlisted equity securities issued by corporate entities								
Hong Kong	63,764	75,262	-	335	-	-	63,764	75,597
Outside Hong Kong (note)	70,069	69,257	-	-	-	-	70,069	69,257
	<u>133,833</u>	<u>144,519</u>	<u>-</u>	<u>335</u>	<u>-</u>	<u>-</u>	<u>133,833</u>	<u>144,854</u>
Unlisted marketable debt securities								
issued by overseas government	-	-	7,747	7,772	-	-	7,747	7,772
issued by bank	-	-	-	5,424	-	-	-	5,424
	<u>-</u>	<u>-</u>	<u>7,747</u>	<u>13,196</u>	<u>-</u>	<u>-</u>	<u>7,747</u>	<u>13,196</u>
Other unlisted securities	<u>-</u>	<u>-</u>	<u>384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>384</u>	<u>-</u>
Exchange seats, statutory deposits and other deposits with Exchange and Clearing Companies	-	-	-	-	28,001	16,636	28,001	16,636
Amounts due from investee companies, less impairment losses recognised (note)	-	-	-	-	97,314	102,926	97,314	102,926
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,315</u>	<u>119,562</u>	<u>125,315</u>	<u>119,562</u>
	<u>483,470</u>	<u>350,021</u>	<u>54,499</u>	<u>36,617</u>	<u>125,315</u>	<u>119,562</u>	<u>663,284</u>	<u>506,200</u>
Carrying amount analysed for reporting purposes as:								
Non-current	483,470	350,021	-	-	125,315	119,562	608,785	469,583
Current	-	-	54,499	36,617	-	-	54,499	36,617
	<u>483,470</u>	<u>350,021</u>	<u>54,499</u>	<u>36,617</u>	<u>125,315</u>	<u>119,562</u>	<u>663,284</u>	<u>506,200</u>

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22. INVESTMENTS (CONT'D)

Note: A sum totalling HK\$115,437,000 is included in "Unlisted non-trading securities" and "Amounts due from investee companies" being the amount (excluding interest, which has been expensed or provided for in prior years, or is accounted for as described in note 8) which represents the carrying value of the effective 12.5% interest in the completed project in Kuala Lumpur, Malaysia presently known as "The Renaissance Kuala Lumpur Hotel", the circumstances surrounding which are further described in note 8. Sun Hung Kai is not in possession of any information that would in the opinion of the management render it appropriate to make any present provision against the carrying value. The matter will continue to be reviewed in the light of both probable ongoing litigation and the commercial prospects of the project.

23. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Loans and advances to consumer finance customers	1,811,429	1,839,969
Allowance for doubtful debts	(143,859)	(146,018)
	1,667,570	1,693,951
Less: Amount due within one year and shown under current assets	(1,098,364)	(1,372,264)
Amount due after one year	569,206	321,687

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24. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current year and prior reporting year.

	Accelerated tax depreciation HK\$'000	General provision HK\$'000	Unrealised profits HK\$'000	Undistributed earnings HK\$'000	Tax losses HK\$'000	Revaluation of properties HK\$'000	Other temporary differences HK\$'000	Total HK\$'000
At 1st January, 2002								
- as previously stated	4,605	66	-	-	(1,182)	9,788	-	13,277
- adjustment on adoption of SSAP 12 (Revised)	23,000	(21,877)	1,252	3,283	(34,132)	7,331	2,057	(19,086)
- as restated	27,605	(21,811)	1,252	3,283	(35,314)	17,119	2,057	(5,809)
Exchange adjustments	-	-	(37)	-	-	-	-	(37)
Credited to equity	-	-	-	-	-	(2,269)	-	(2,269)
Transferred from tax reserve certificate	-	-	-	-	-	(1,883)	-	(1,883)
Charged (credited) to income statement	7,117	(1,552)	503	1,091	(345)	(108)	(686)	6,020
At 31st December, 2002	34,722	(23,363)	1,718	4,374	(35,659)	12,859	1,371	(3,978)
Exchange adjustments	-	-	(75)	-	-	-	-	(75)
Effect of change in tax rate charged (credited) to income statement	3,236	(2,357)	(1)	3	(3,344)	678	129	(1,656)
Acquisition of subsidiaries	-	-	-	-	136	-	-	136
Charged (credited) to income statement	11,164	(4,886)	(249)	(2,669)	(11,119)	(255)	(750)	(8,764)
At 31st December, 2003	49,122	(30,606)	1,393	1,708	(49,986)	13,282	750	(14,337)

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Deferred tax liabilities	21,406	24,624
Deferred tax assets	(35,743)	(28,602)
	(14,337)	(3,978)

At 31st December, 2003, the Group had unrecognised deductible temporary difference of HK\$5,809,000 (2002: HK\$31,338,000) and unused tax losses of HK\$2,211,591,000 (2002: HK\$2,221,438,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$285,616,000 (2002: HK\$222,865,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$1,925,975,000 (2002: HK\$1,775,934,000) due to the unpredictability of future profit streams. There were no other significant temporary differences arising during the year or at the balance sheet date.

Included in unrecognised tax losses are losses of HK\$3,155,000, HK\$16,720,000 and HK\$3,598,000 that will expire in 2004, 2005 and 2006 respectively. Other losses may be carried forward indefinitely.

At 31st December, 2003, the Company had unused tax losses of HK\$30,864,000 (2002: HK\$41,575,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

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25. PROPERTIES HELD FOR SALE AND OTHER INVENTORIES

	The Group	
	2003 HK\$'000	2002 HK\$'000
Properties held for sale, at net realisable value:		
Long-term leasehold properties in Hong Kong	442,500	709,825
Medium-term leasehold properties in Hong Kong	5,281	31,816
	<u>447,781</u>	<u>741,641</u>
Other inventories, at cost	109	117
	<u>447,890</u>	<u>741,758</u>

Certain of the Group's properties previously held for sales with a net realisable value of HK\$252,102,000 (2002: HK\$50,130,000) were rented out under operating leases during the year and were therefore classified as investment properties.

The cost of properties held for sale recognised as an expense during the year was HK\$19,212,000 (2002: HK\$118,386,000).

26. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

For trade receivables in respect of securities, bullion and commodities businesses, the Group allows a credit period up to the settlement dates of respective securities, bullion and commodities transactions or a credit period mutually agreed with the contracting parties. The average credit terms of other trade receivables range from 30 to 180 days. Included in accounts receivable, deposits and prepayments are trade receivables totalling HK\$2,767,899,000 (2002: HK\$1,957,260,000), the aged analysis of which is as follows:

	The Group	
	2003 HK\$'000	2002 HK\$'000
0 to 30 days	2,718,315	1,748,929
31 to 180 days	12,755	11,335
181 to 365 days	3,427	43,893
over 365 days	435,913	551,850
	<u>3,170,410</u>	<u>2,356,007</u>
Allowance for doubtful debts	(402,511)	(398,747)
	<u>2,767,899</u>	<u>1,957,260</u>

The above balance of HK\$3,170,410,000 (2002: HK\$2,356,007,000) includes term loans totalling HK\$538,758,000 (2002: HK\$761,167,000), the maturity profile of which is shown in note 44.

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26. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (CONT'D)

There were listed and unlisted securities and properties of clients held as collateral against secured margin loans and term loans. The market value of the listed securities at 31st December, 2003 was HK\$5,118,827,000 (2002: HK\$3,693,446,000).

On 24th November, 1999, Sun Hung Kai, a subsidiary of the Company since May 2001, entered into an agreement for the sale of 770,000,000 shares in Tian An to Millennium Touch Limited ("MT"). These 770,000,000 Tian An shares represented approximately 19.79% of the then issued share capital of Tian An and 9.82% of the issued share capital of Tian An as at 31st December, 2003 (2002: 9.07%). MT paid 5% of the purchase price and entered into a loan agreement with Sun Hung Kai group to finance the balance. As security for the loan agreement, MT entered into a share mortgage with Sun Hung Kai group. The share mortgage provided that if there was default under the loan agreement, then Sun Hung Kai group may enforce its security by, inter alia, selling the 770,000,000 Tian An shares to discharge the indebtedness owed by MT to Sun Hung Kai group or foreclosing on the shares. However, Sun Hung Kai did not exercise, and forwent any entitlement to exercise, any voting rights on these 770,000,000 Tian An shares.

MT was in default under the loan agreement since 24th November, 2000. There was an unrealised loss of HK\$134,124,000 to Sun Hung Kai group up to 31st December, 2000 by marking to market those 770,000,000 Tian An shares at the closing market price of HK\$0.134 at 31st December, 2000. A further unrealised loss of HK\$10,110,000 was accounted for in 2002.

In August 2003, 650,000,000 Tian an shares were tendered for the share repurchase offer by Tian An and were accepted in full. Sun Hung Kai group was entitled to receive the consideration of the share repurchase of HK\$97,402,500 (as to HK\$19,402,500 in cash and HK\$78,000,000 in the form of 5 year loan notes at an interest rate of 2.5% per annum issued by Tian An) on 2nd September, 2003. The remaining 120,000,000 Tian An shares were sold to Sun Hung Kai on 9th December, 2003 at a consideration of HK\$22,080,000. All consideration received was used to reduce the loan due from MT.

As a result of the above share repurchase and the sale of Tian An shares to Sun Hung Kai, unrealised loss adjustment of HK\$26,412,000 was written back to the income statement. The amount due from MT after providing for unrealised losses at 31st December, 2003 was nil (2002: HK\$93,070,000). The amount in 2002 had been included as a term loan under the Group's balance of accounts receivable, deposits and prepayments.

The granting of credit in respect of trade receivables of the finance business including secured margin loans and secured term loans are approved and reviewed by the respective credit committees. Clients are normally required to provide additional margin or securities whenever there are any shortfalls in their accounts. Specific allowances are made for doubtful debts as and when they are considered necessary by the management and the credit committee. Trade receivables in the balance sheet are stated net of such allowances.

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27. ACCOUNTS PAYABLE AND ACCRUED CHARGES

Included in accounts payable and accrued charges are trade payables of HK\$1,298,768,000 (2002: HK\$580,214,000), the aged analysis of which is as follows:

	The Group	
	2003 HK\$'000	2002 HK\$'000
0 to 30 days	1,212,112	480,174
31 to 180 days	12,041	11,917
181 to 365 days	1,733	47,464
over 365 days	72,882	40,659
	<u>1,298,768</u>	<u>580,214</u>

28. SHARE CAPITAL

	Number of shares	Value HK\$'000
Ordinary shares of HK\$0.20 each		
Authorised:		
At 1st January, 2002, 31st December, 2002 and 31st December, 2003	<u>6,500,000,000</u>	<u>1,300,000</u>
Issued and fully paid:		
At 1st January, 2002 and 31st December, 2002	3,409,866,308	681,973
Share repurchased and cancelled	<u>(752,998,000)</u>	<u>(150,599)</u>
At 31st December, 2003	<u>2,656,868,308</u>	<u>531,374</u>

The shares repurchased and cancelled during the year included 750,000,000 shares which were repurchased by the Company on 16th September, 2003 pursuant to a general offer at a price of HK\$0.5 per share (as to HK\$0.15 in cash and HK\$0.35 in the form of loan note). The balance of 2,998,000 shares were repurchased on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

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29. SHARE OPTION SCHEMES

A summary of each of the share option schemes of the Company (“AGL Scheme”) and the Company’s subsidiary, Allied Properties (“APL Scheme”) is as follows:

- (a) The AGL Scheme was adopted pursuant to a resolution passed by the Company’s shareholders on 3rd June, 2002 (“Adoption Date”) for the primary purpose of providing the eligible participants an opportunity to have a personal stake in the Company and to help motivate, attract and retain the eligible participants whose contributions are important to the long-term growth and profitability of the Group. Eligible participants of the AGL Scheme include any employees, directors of the Company, its subsidiaries or any entity in which the Group holds an equity interest (“Invested Entity”), supplier of goods or services to the Group or any Invested Entity, customer of the Group or any Invested Equity, any minority shareholders of the Group or Invested Entity and any other person or entity who in the opinion of the Directors have contributed or may contribute to the development and growth of the Group. The AGL Scheme will expire on 2nd June, 2012.

The maximum number of shares which may be issuable under the AGL Scheme and any other schemes of the Company (excluding options lapsed pursuant to the AGL Scheme and any other schemes of the Company) must not exceed 10% of the issued shares of the Company at the Adoption Date, being 340,986,630 shares of the Company. At 31st December, 2002, the maximum number of shares issuable under the AGL Scheme was 340,986,630, which represented 10% of the Company’s shares in issue as at that date.

The total number of shares issued and to be issued to each eligible participant under the AGL Scheme in any 12-month period must not exceed 1% of the issued shares of the Company unless approved in advance by the shareholders of the Company in general meeting.

Any option to be granted under the AGL Scheme to a director, chief executive or substantial shareholder of the Company or to any of their respective associates must be approved by Independent Non-Executive Directors of the Company. In addition, any option to be granted to a substantial shareholder or an Independent Non-Executive Director of the Company or to any of their respective associates which will result in the shares issued and to be issued in excess of 0.1% of the issued shares or with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK\$5 million within any 12-month period is subject to approval by the shareholders of the Company in general meeting.

The offer of a grant of options under the AGL Scheme may be accepted within 28 business days from the date of the offer and by payment of HK\$1.00 as consideration for the grant of an option. An option may be exercised in accordance with the terms of the AGL Scheme at any time during a period as to be determined and notified by the Directors to each grantee, but shall end in any event not later than 10 years from the Adoption Date.

The exercise price is determined by the Directors and shall be at least the highest of: (i) the closing price of the Company’s shares as stated in the Stock Exchange’s daily quotations sheet on the date of the offer of grant of an option, which must be a trading day; (ii) the average closing price of the Company’s shares as stated in the Stock Exchange’s daily quotations for the five trading days immediately preceding the date of the offer of grant of an option; and (iii) the nominal value of the Company’s shares.

No options were granted under the AGL Scheme during 2003 and there were no options outstanding at 31st December, 2003 and 2002.

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29. SHARE OPTION SCHEMES (CONT'D)

- (b) The APL Scheme was adopted pursuant to a resolution passed by Allied Properties' shareholders on 30th June, 1993 for the primary purpose of providing incentives to any directors or full time employees of Allied Properties or any of its subsidiaries ("APL Eligible Employees") and expired on 29th June, 2003. Under the APL Scheme, the board of directors of Allied Properties was authorised to grant options at a consideration of HK\$1.00 per option to the APL Eligible Employees to subscribe for shares in Allied Properties.

The maximum number of shares issued or which might be issuable under the APL Scheme cannot exceed 10% of the issued share capital of Allied Properties excluding any shares issued pursuant to the APL Scheme from time to time. The number of shares in respect of which options granted or might be granted to any APL Eligible Employees was not permitted to exceed 25% of the aggregate number of shares for the time being issued and issuable under the APL Scheme.

An option might be exercised at any time during a period not exceeding five years commencing one month after the date the option was accepted and expiring on the last day of such period or ten years from 30th June, 1993, whichever was the earlier. The exercise price was determined by the directors of Allied Properties, and would not be less than the higher of: (i) 80% of the average closing prices of the Allied Properties' shares on the five trading days immediately preceding the offer of the options; and (ii) the nominal value per share of Allied Properties.

No options were granted under the APL Scheme during 2003 before the APL Scheme expired on 29th June, 2003 and there were no options outstanding at 31st December, 2003 and 2002.

30. RESERVES

	The Group	
	2003	2002
	HK\$'000	HK\$'000
		(Restated)
Share premium	1,519,481	1,894,481
Property revaluation reserve	36,691	14,117
Investment revaluation reserve	80,027	(1,938)
Capital redemption reserve	170,774	20,175
Translation reserve	(104,240)	(95,379)
Non-distributable reserve (note 30(a))	55,226	55,226
Capital (goodwill) reserve (note 30(b))	295,269	327,924
Accumulated profits (note 30(c))	1,571,303	1,092,714
	<u>3,624,531</u>	<u>3,307,320</u>

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30. RESERVES (CONT'D)

Notes:

(a) Non-distributable reserve represents the share of a subsidiary's capital redemption reserve.

	Goodwill HK\$'000	Capital reserve HK\$'000	Statutory reserves HK\$'000	Total HK\$'000
At 1st January, 2002				
– as previously stated	(57,126)	427,038	1,455	371,367
– adjustment on adoption of SSAP 12 (Revised)	(3,447)	(12,935)	–	(16,382)
– as restated	(60,573)	414,103	1,455	354,985
Released on disposal of associates	13,709	–	–	13,709
Amortisation of capital reserve	–	(39,921)	–	(39,921)
Transferred by an associate	–	–	(849)	(849)
At 31st December, 2002	(46,864)	374,182	606	327,924
Released on disposal of associates	–	–	(237)	(237)
Amortisation of capital reserve	–	(32,897)	–	(32,897)
Transferred by an associate	–	–	479	479
At 31st December, 2003	(46,864)	341,285	848	295,269

Statutory reserves represent reserves required under relevant rules and regulations of Mainland China.

(c) The accumulated profits of the Group include HK\$90,919,000 (2002: HK\$79,418,000) retained by associates and HK\$368,473,000 (2002: HK\$363,779,000) retained by jointly controlled entities of the Group.

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Distributable reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
The Company					
At 1st January, 2002	1,894,481	20,175	–	36,388	1,951,044
Profit attributable to shareholders	–	–	–	85,456	85,456
At 31st December, 2002	1,894,481	20,175	–	121,844	2,036,500
Transferred upon approval by court order	(375,000)	–	375,000	–	–
Shares repurchased and cancelled	–	–	(225,000)	(6,799)	(231,799)
Transferred on share repurchase	–	150,599	(150,000)	(599)	–
Profit attributable to shareholders	–	–	–	148,649	148,649
At 31st December, 2003	1,519,481	170,774	–	263,095	1,953,350

The Company's reserves available for distribution to shareholders at 31st December, 2003 are represented by accumulated profits of HK\$263,095,000 (2002: HK\$121,844,000).

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31. BANK AND OTHER BORROWINGS

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Bank loans, overdrafts and other borrowings comprise:		
Bank loans	1,891,470	1,886,202
Overdrafts	155,247	2,855
Other borrowings	5,000	30,000
	<u>2,051,717</u>	<u>1,919,057</u>
Analysed as:		
Secured	1,964,936	1,774,034
Unsecured	86,781	145,023
	<u>2,051,717</u>	<u>1,919,057</u>
Bank loans and overdrafts are repayable as follows:		
Within one year or on demand	1,105,282	927,018
More than one year but not exceeding two years	70,760	259,669
More than two years but not exceeding five years	759,110	555,060
More than five years	111,565	147,310
	<u>2,046,717</u>	<u>1,889,057</u>
Other borrowings repayable within one year or on demand	5,000	30,000
	<u>2,051,717</u>	<u>1,919,057</u>
Less: Amount repayable within one year and shown under current liabilities	<u>(1,110,282)</u>	<u>(957,018)</u>
Amount due after one year	<u>941,435</u>	<u>962,039</u>

Details of the assets of the Group and the Company pledged to secure bank and other borrowings are set out in note 42.

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32. LOAN NOTES

	The Group		The Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loan notes issued by the Company	262,500	–	262,500	–
Repurchased and cancelled	(123,608)	–	(123,608)	–
	138,892	–	138,892	–
Loan notes issued by a listed subsidiary	255,234	–	–	–
Repurchased and cancelled	(23,597)	–	–	–
	231,637	–	–	–
Total	370,529	–	138,892	–

The loan notes of the Company and those of the listed subsidiary, Sun Hung Kai, were issued as part of the consideration for the repurchase of shares of the Company and Sun Hung Kai respectively. The loan notes issued by the Company bear interest at 2.25% per annum and are due on 15th August, 2008. The loan notes issued by Sun Hung Kai bear interest at 4% per annum and are due on 7th March, 2008.

Notes to the Financial Statements (Cont'd)

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33. OTHER LIABILITIES

	The Group		The Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Obligations under a finance lease (note)	966	1,816	–	–
Other employee benefits	5,346	6,682	131	329
	6,312	8,498	131	329
Less: Amount due within one year and shown under current liabilities	(1,404)	(1,399)	(131)	(329)
Amount due after one year	4,908	7,099	–	–

Note:

At 31st December, 2003, the amounts payable under a finance lease were repayable as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group				
Within one year	916	915	890	850
In the second year	76	916	76	890
In the third to fifth years	–	76	–	76
	992	1,907	966	1,816
Less: Future finance charges	(26)	(91)		
Present value of the lease obligations	966	1,816		
Less: Amount due within one year and shown under current liabilities			(890)	(850)
Amount due after one year			76	966

34. AMOUNT DUE TO A SUBSIDIARY

The amount is unsecured, interest-free and has no fixed terms of repayment. The subsidiary will not demand repayment in the next twelve months and the amount is therefore shown as non-current liabilities.

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35. DISPOSAL OF SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Net assets disposed of:		
Fixed assets	–	694
Accounts receivable, deposits and prepayments	21	12
Bank balances	1,208	579
Accounts payable and accrued charges	(264)	(447)
Taxation	–	(3)
	<u>965</u>	<u>835</u>
Translation reserve released upon disposal	1,886	(1,148)
Minority interests released upon disposal	673	(1,204)
(Loss) profit on disposal of subsidiaries	<u>(2,229)</u>	<u>2,020</u>
Proceeds on disposal	<u>1,295</u>	<u>503</u>
Satisfied by:		
Cash	1,295	25
Other receivables	–	478
	<u>1,295</u>	<u>503</u>
Analysis of the net inflow (outflow) of cash and cash equivalents in respect of the disposal of subsidiaries:		
Cash consideration received	1,295	25
Bank balances disposed of	<u>(1,208)</u>	<u>(579)</u>
	<u>87</u>	<u>(554)</u>

The subsidiaries disposed of during both years did not have any significant contribution to the Group's turnover and profit (loss) before taxation.

Notes to the Financial Statements (Cont'd)

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36. ACQUISITION OF SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Net assets acquired:		
Fixed assets	33,000	–
Investments	5,091	–
Accounts receivable, deposits and prepayments	127,368	–
Bank deposits, bank balances and cash	30,266	–
Accounts payable and accrued charges	(90,242)	–
Taxation	(27)	–
Bank and other borrowings	(43,018)	–
Deferred tax liabilities	(136)	–
	<u>62,302</u>	–
Negative goodwill on acquisition	(8,730)	–
	<u>53,572</u>	–
Satisfied by:		
Cash	36,827	–
Accounts payable	16,745	–
	<u>53,572</u>	–
Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:		
Cash consideration paid	(36,827)	–
Bank deposits, bank balances and cash acquired	(43,018)	–
Bank overdrafts acquired	30,266	–
	<u>(49,579)</u>	–

The subsidiaries acquired during the year contributed HK\$29,140,000 to the Group's turnover and a loss of HK\$20,217,000 to the Group's profit before taxation.

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37. MAJOR NON-CASH TRANSACTIONS

Pursuant to a circular dated 21st August, 2003 issued by the Company, an unconditional offer was made by the Company for the repurchase up to 750,000,000 shares at HK\$0.5 per share, as to HK\$0.15 in cash and HK\$0.35 in the form of loan note. As announced by the Company on 15th September, 2003, 750,000,000 shares had been repurchased by the Company and, accordingly, loan notes to the value of HK\$262,500,000 were subsequently issued.

In addition, pursuant to a circular dated 16th January, 2003 issued by Sun Hung Kai, an unconditional offer was made by Sun Hung Kai for the repurchase of up to 325,600,000 shares at HK\$1.30 per share, as to HK\$0.30 in cash and HK\$1.00 in the form of loan note. As announced by Sun Hung Kai on 27th February, 2003, 255,234,309 shares had been repurchased by Sun Hung Kai and, accordingly, loan notes to the value of HK\$255,234,309 were subsequently issued.

The principal terms of the loan notes issued by the Company and Sun Hung Kai are shown in note 32.

38. CONTINGENT LIABILITIES

(a) At 31st December, 2003, the Group had guarantees as follows:

	2003 HK\$'000	2002 HK\$'000
Guarantees for banking and loan facilities granted to an investee company	6,989	7,020
Indemnities on banking guarantees made available to a clearing house and regulatory body	4,540	4,540
Indemnities on letter of credit issued by bank for a loan to a client	67,556	–
Other guarantees	913	1,734
	<u>79,998</u>	<u>13,294</u>

(b) On 9th September, 2002, Sun Hung Kai Investment Services Limited ("SHKIS"), an indirect wholly-owned subsidiary of Sun Hung Kai, was served with a writ attaching a statement of claim by Shenzhen Building Materials Group Co. Limited, a Shenzhen P.R.C. registered company, claiming the return of certain shares in Shenzhen International Holdings Limited (worth HK\$40,567,000 at 31st December, 2003) together with interest, costs and damages. The actions taken by SHKIS were based on considered advice from reputable legal counsel, which advice was strictly followed in its implementation. The claim is being strenuously defended and at this stage the management takes the view that no contingency arises for which a provision is required to be made. The case is at an early stage with interlocutory matters only being dealt with. The plaintiffs have taken very few actions to progress their writs.

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38. CONTINGENT LIABILITIES (CONT'D)

- (c) On 4th February, 2004, Sun Tai Cheung Credits Limited ("STCC"), also an indirect wholly-owned subsidiary of Sun Hung Kai, and SHKIS, were served with a writ attaching a statement of claim by Shanghai Finance Holdings Limited, claiming, inter alia, an Order that the sale of the shares in Shun Loong Holdings Limited ("Shun Loong Shares") by STCC as assignee to SHKIS (at a consideration of HK\$36,500,000 subject to additional amounts in a sum of HK\$15,700,000 which may be payable one year from the date of completion under certain conditions) pursuant to a sale and purchase agreement dated 25th June, 2003 be set aside, or alternatively, as against STCC, damages and an account as to the money obtained by STCC in respect of the Shun Loong Shares. The writ is being vigorously defended. STCC and SHKIS were properly advised at all times during the transaction and firmly believe there is no basis to the claim. Legal costs will be recorded in the income statement as incurred.

At 31st December, 2003, the Company had guarantees of HK\$155,000,000 (2002: HK\$155,000,000) given to banks in respect of banking facilities utilised by a subsidiary. Facilities amounting to HK\$35,374,000 (2002: Nil) were utilised at 31st December, 2003.

39. CAPITAL COMMITMENTS

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided for in the financial statements in respect of:		
Property development projects	13,350	26,700
Others	2,810	4,355
	<u>16,160</u>	<u>31,055</u>
Capital expenditure authorised but not contracted for:		
Others	<u>16,205</u>	<u>47,175</u>

The Company did not have any significant capital commitments at 31st December, 2003 and 2002.

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40. OPERATING LEASE ARRANGEMENTS**As lessee**

	The Group		The Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Lease payments under operating leases recognised in the income statement during the year				
Land and buildings	47,750	58,059	2,634	3,794
Others	2,429	640	–	–
	50,179	58,699	2,634	3,794

At 31st December, 2003, the Group and the Company had outstanding minimum lease payments under non-cancellable operating leases which fall due as follows:

	The Group				The Company	
	2003		2002		2003	2002
	Land and buildings	Others	Land and buildings	Others	Land and buildings	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	43,884	927	45,344	77	6,656	4,507
In the second to fifth years inclusive	14,273	38	32,848	–	1,081	–
	58,157	965	78,192	77	7,737	4,507

Operating leases are negotiated for terms ranging from one to five years.

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40. OPERATING LEASE ARRANGEMENTS (CONT'D)

As lessor

Property rental income earned during the year was HK\$63,680,000 (2002: HK\$59,702,000). The property held has committed tenants whose tenancy agreements expire or are terminable over the next two years.

At 31st December, 2003, the Group had contracted with tenants for the following future minimum lease payments:

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Within one year	39,998	39,729
In the second to fifth years inclusive	9,154	14,881
	<u>49,152</u>	<u>54,610</u>

The Company did not have any significant lease commitments as lessor under non-cancellable operating leases at 31st December 2003 and 2002.

41. RETIREMENT BENEFIT SCHEMES

The Group operates defined contribution retirement benefit schemes for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group under provident funds managed by independent trustees.

The retirement benefits cost charged to the income statement represents contributions payable to the fund by the Group at rates specified in the rules of the schemes. Where there are employees who leave the schemes prior to vesting fully in the contributions, in accordance with the terms of the schemes, the contributions payable by the Group are reduced by the amount of forfeited employer's contributions.

At 31st December, 2003 and 2002, there were no material forfeited contributions which arose when employees left the retirement benefit schemes before they were fully vested in the contributions and which were available to reduce the contributions payable by the Group in the future years.

The scheme has now been closed to new employees as a consequence of the Mandatory Provident Fund Schemes Ordinance introduced by the Hong Kong Government.

From 1st December, 2000 onwards, the new staff in Hong Kong joining the Group are required to join the Mandatory Provident Fund Scheme ("MPF Scheme"). The Group is required to contribute 5%, while the employees are required to contribute 5% of their salaries to the MPF Scheme.

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42. PLEDGE OF ASSETS

At 31st December, 2003, certain of the Group's investment properties, land and buildings, properties under development and properties held for sale with an aggregate carrying value of HK\$2,791,950,000 (2002: HK\$2,790,137,000), listed investments belonging to the Group and margin clients with a carrying value of HK\$792,489,000 (2002: HK\$761,412,000) together with certain securities in respect of listed subsidiaries held by the Company and its subsidiaries, the net book value of which in their respective accounts totalling HK\$3,935,318,000 (2002: HK\$3,804,999,000) were pledged to secure loans and general banking facilities to the extent of HK\$3,777,516,000 (2002: HK\$4,226,202,000) granted to the Group. Facilities amounting to HK\$1,964,936,000 (2002: HK\$1,774,034,000) were utilised at 31st December, 2003.

At 31st December, 2003, a bank deposit of HK\$1,487,000 (2002: HK\$1,000,000) was pledged to secured a bank guarantee amounting to HK\$2,000,000 (2002: HK\$1,000,000).

At 31st December, 2003, certain of the Company's interests in a listed subsidiary with an aggregate carrying value of HK\$674,636,000 (2002: HK\$674,636,000) together with certain investments of its subsidiaries, were pledged to secure credit facilities to the extent of HK\$150,000,000 (2002: HK\$150,000,000) granted to a subsidiary. Facilities amounting to HK\$35,374,000 (2002: Nil) were utilised at 31st December, 2003.

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43. RELATED PARTY TRANSACTIONS AND BALANCES

The following is a summary of the significant transactions and balances with related parties during the year and as at the year end.

(a) Summary of income and expense items

	(Income)/Expense	
	2003	2002
	HK\$'000	HK\$'000
Dividend income from associates	(18,912)	(7,504)
Dividend income from a jointly controlled entity	(30,000)	(60,000)
Property management and air-conditioning fees and other property related service fees from a jointly controlled entity	(15,071)	(14,639)
Administration, management and consultancy fees from a jointly controlled entity	(2,360)	(5,860)
Interest income from associates	(16,786)	(15,867)
Rent, property management and air-conditioning fees and other related service fees from an associate	(1,345)	(2,050)
Insurance premium from an associate	(2,917)	(1,149)
Rent, property management and air-conditioning fees to a jointly controlled entity	<u>10,844</u>	<u>13,183</u>

- (b) A promissory note of HK\$21,900,000 issued by a listed associate with accrued interest of HK\$438,900 was repaid during the year.
- (c) A promissory note of HK\$40,419,000 was issued by a listed associate during the year for the purpose of repaying the outstanding principal and interest under a 4% convertible loan note dated 2nd June, 1998 due on 2nd June, 2002. The promissory note bears interest at 7% per annum and mature on 2nd June, 2003. The principal of the promissory note and the outstanding interest were repaid by the listed associate on 28th January, 2004.
- (d) On 28th January, 2004, a new promissory note of HK\$87,000,000 due on 30th December, 2004 was issued by a listed associate bearing interest at 5% per annum. The new promissory note was made for repayment in part of a promissory note of HK\$145,000,000 and its outstanding interest due on 30th December, 2003. The remaining outstanding balance was repaid by cash.
- (e) On 2nd September, 2003, 5 year 2½% loan notes of HK\$78,000,000 were issued by a listed associate as part of the consideration for the repurchase of shares by the listed associate as detailed in note 26.

None of the above related party transactions constitutes a discloseable connected transaction as defined in the Rules Governing the Listing of Securities on the Stock Exchange.

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43. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

- (f) The net balances due from (to) related parties at 31st December, 2003 and 2002 are summarised as follows:

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Associates	373,107	322,293
Jointly controlled entity	(169,602)	(176,359)
	<u>203,505</u>	<u>145,934</u>

The above amounts are included in the balance sheet of the Group in the following ways:

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Interest in associates	137,316	59,408
Accounts receivable, deposits and prepayments	7,569	6,535
Amounts due from associates	266,303	294,787
Amount due from a jointly controlled entity	2,056	1,564
Accounts payable and accrued charges	–	(775)
Amounts due to associates	(38,081)	(37,544)
Amount due to a jointly controlled entity	(171,658)	(178,041)
	<u>203,505</u>	<u>145,934</u>

The above transactions have been entered into on terms agreed by the parties concerned.

Notes to the Financial Statements (Cont'd)

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44. MATURITY PROFILE OF TERM ASSETS AND LIABILITIES

The following table lists the assets and liabilities of the Group which have a term of maturity. Overdue assets are included as on demand.

	At 31st December, 2003					Total HK\$'000
	On demand HK\$'000	Within 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 5 years HK\$'000	After 5 years HK\$'000	
Assets						
Fixed deposits with banks	-	251,080	-	-	-	251,080
Loans and advances to consumer finance customers	135,889	325,766	731,818	609,120	8,836	1,811,429
Promissory notes of a listed associate	202,144	-	40,419	-	-	242,563
Loan notes of a listed associate	-	-	-	-	78,000	78,000
Term loans	175,405	281,886	81,467	-	-	538,758
Marketable debt securities	-	7,747	-	-	-	7,747
Liabilities						
Bank and other borrowings	-	625,877	484,405	829,870	111,565	2,051,717
Loan notes	-	-	-	370,529	-	370,529
Obligations under a finance lease	-	219	671	76	-	966

	At 31st December, 2002					Total HK\$'000
	On demand HK\$'000	Within 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 5 years HK\$'000	After 5 years HK\$'000	
Assets						
Fixed deposits with banks	-	312,659	-	-	-	312,659
Loans and advances to consumer finance customers	165,945	441,261	883,941	340,478	8,344	1,839,969
Promissory notes of a listed associate	-	-	264,463	-	-	264,463
Term loans	248,241	168,659	341,800	2,467	-	761,167
Marketable debt securities	-	13,196	-	-	-	13,196
Liabilities						
Bank and other borrowings	-	618,189	338,829	814,729	147,310	1,919,057
Obligations under a finance lease	-	209	641	966	-	1,816

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45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st December, 2003 which have their principal place of operations in Hong Kong are set out below:

Subsidiaries	Paid up issued ordinary share capital HK\$	Proportion of nominal value of issued capital		Principal activity
		held by the Company*/ subsidiaries %	attributable to the Group %	
AG Capital Limited	2	100	100	Share trading, money lending and business of consultancy
Alaston Development Limited	US\$1	100	75	Property trading
Allied Aquatic Produce Development Limited	50,000,000	100*	100	Investment holding
Allied Capital Management Limited	2	100	100	Securities trading
Allied Properties (H.K.) Limited**	978,768,434	18* 57	75	Investment holding
Allied Real Estate Agency Limited	2	100	75	Real estate agency
AP Administration Limited	2	100	75	Provision of management and consultancy services
AP Corporate Services Limited	2	100	75	Provision of corporate services
AP Development Limited	2	100	75	Investment holding
AP Diamond Limited	US\$1	100	75	Property trading and holding
AP Emerald Limited	US\$1	100	75	Investment holding
AP Finance Limited	2	100	75	Money lending
AP Property Management Limited	2	100	75	Building management
Bali International Finance Limited	137,500,000	100	56	Financial service and investment holding
Bali Securities Co. Limited	7,000,000	100	56	Securities dealer
Best Melody Development Limited	5,000	100	75	Property holding
Capscore Limited	2	100*	100	Investment holding
Cheeroll Limited	2	100	56	Share trading
China Direction Investments Limited	4,500,000	67	37	Share trading and investment holding
Citiwealth Investment Limited	2	100*	100	Share trading and investment holding
Cowslip Company Limited	2	100	56	Investment holding
Earnest Finance Limited	100	100	55	Investment holding
Easy Capital Investments Limited	US\$1	100	55	Investment holding
Fame Arrow Company Limited	100,000	95	71	Loan financing
Florich Development Limited	10,000	100	75	Investment holding
Front Sail Limited	5,000	100	75	Property holding

Notes to the Financial Statements (Cont'd)

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45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONT'D)

Subsidiaries	Paid up issued ordinary share capital HK\$	Proportion of nominal value of issued capital		Principal activity
		held by the Company* / subsidiaries %	attributable to the Group %	
Gloria (Nominees) Limited	200	100	56	Investment holding
Gloxin Limited	2	100	56	Investment holding
Grand Securities Company Limited	20,000,000	100	56	Securities broking
Hilarious (Nominees) Limited	10,000	100	56	Investment holding
Hillcrest Development Limited	20	100	75	Property holding
Hi-Link Limited	200	100	75	Investment holding
Integrated Custodian Limited	2	100	75	Property holding
Itso Limited	2	100	56	Share trading
Jaffe Development Limited	US\$1	100	75	Property holding
Kalix Investment Limited	2	100	75	Property holding
King Policy Development Limited	2	100	75	Property holding
Lexshan Nominees Limited	2	100	56	Nominee service
Macdonnell (Nominees) Limited	10,000	100	56	Investment holding
Maxplan Investment Limited	2	100	75	Securities trading
Mightyton Limited	10,000	100	75	Property holding
Oakfame Investment Limited	2	100	56	Investment holding
Ontone Limited	2	100	75	Hotel operations, property development and property holding
Pioneer Alliance Limited	10,000	100*	100	Investment holding
Pioneer Score Development Limited	2	100	56	Investment holding
Plentiwind Limited	2	100	56	Futures trading
Polyking Services Limited	2	100	48	Building maintenance and cleaning services
Protech Property Management Limited	5,000	100	48	Building management
Quick Art Limited	3,540,000	100	56	Share trading and property holding
Ranbridge Finance Limited	20,000,000	100	56	Money lending
Rank Crown Investment Limited	2	100*	100	Investment holding
San Pack Properties Limited	10	100	75	Property holding
Scienter Investments Limited	20	100	56	Share trading
SHK Financial Data Limited	100	51	28	Provision of financial information service
SHK Finance Limited	150,000,000	100	55	Consumer financing

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45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONT'D)

Subsidiaries	Paid up issued ordinary share capital HK\$	Proportion of nominal value of issued capital		Principal activity
		held by the Company*/ subsidiaries %	attributable to the Group %	
SHK Fund Management Limited	5,000,000	100	56	Fund management and securities business development
SHK Online (Securities) Limited	30,000,000	100	56	Online securities broking and margin financing
SHK Online Limited	20,000,000	100	56	Online financial services
SHK Pearl River Delta Investment Company Limited	75,000,000	100	56	Investment holding
Shun Loong Bullion Limited	6,000,000	100	56	Bullion dealing
Shun Loong Capital Limited	6,500,000	100	56	Investment holding
Shun Loong Finance Limited	1,000,000	100	56	Money lending
Shun Loong Forex Company Limited	32,000,000	100	56	Leveraged foreign exchange dealing and broking
Shun Loong Futures Limited	15,000,000	100	56	Futures and option broking
Shun Loong Holdings Limited	200,000,000	100	56	Investment holding
Shun Loong Nominees Limited	100,000	100	56	Provision of nominee and secretarial services
Shun Loong On-line Investment Services (H.K.) Limited	25,000,000	100	56	Computer and marketing advisory service and securities trading
Shun Loong Securities Company Limited	50,000,000	100	56	Securities broking and share margin financing
Sierra Joy Limited	2	100	75	Property holding
Splendid Gain Limited	2	100	56	Investment holding
Sun Hing Bullion Company Limited	5,000,000	100	56	Bullion trading
Sun Hung Kai & Co. Limited**	249,140,631	75	56	Investment holding
Sun Hung Kai (Nominees) Limited	200	100	56	Nominee service
Sun Hung Kai Bullion Company Limited	30,000,000	100	56	Bullion trading
Sun Hung Kai Commodities Limited	80,000,600	100	56	Commodities broking
Sun Hung Kai Forex Limited	150,000,000	100	56	Foreign exchange trading
Sun Hung Kai Insurance Consultants Limited	1,000,000	100	56	Insurance broking

Notes to the Financial Statements (Cont'd)

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45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONT'D)

Subsidiaries	Paid up issued ordinary share capital HK\$	Proportion of nominal value of issued capital		Principal activity
		held by the Company* / subsidiaries %	attributable to the Group %	
Sun Hung Kai International Limited	10,000,000	100	56	Corporate finance service
Sun Hung Kai International Commodities Limited	5,000,000	100	56	Commodities dealer
Sun Hung Kai Investment Services Limited	290,000,000	100	56	Share broking
Sun Hung Kai Research Limited	100,000	100	56	Securities research service
Sun Hung Kai Securities (Overseas) Limited	60,000	100	56	Investment holding
Sun Hung Kai Securities (Trustees) Limited	3,000,000	100	56	Provision of trustee service
Sun Hung Kai Securities Capital Markets Limited	1,000	100	56	Investment holding
Sun Hung Kai Securities Limited	124,898,589	100	56	Investment holding
Sun Hung Kai Venture Capital Limited	2	100	56	Investment holding
Sun Hung Kai Wealth Management Limited	5,000,000	100	56	Investment advisory, financial planning and wealth management
Sun Tai Cheung Credits Limited	150,000,000	100	56	Share margin financing
Sun Tai Cheung Finance Company Limited	25,000,000	100	56	Financial service
Sunhill Investments Limited	2	100*	100	Investment holding
Texgulf Limited	20	100	56	Property holding
To Wan Development Company Limited	10,000	100	56	Investment holding
Tung Wo Investment Company, Limited	10,000	100	56	Investment holding
United Asia Finance Limited	137,500,000	58	55	Consumer financing
Wah Cheong Development Company, Limited	25,100,000	100	56	Investment holding
Wineur Secretaries Limited	2	100	56	Secretarial service
Yee Li Ko Investment Limited	3,000,000	100	56	Property holding

With the exception of Alaston Development Limited, AP Diamond Limited, AP Emerald Limited, Earnest Finance Limited, Easy Capital Investments Limited and Jaffe Development Limited, which were incorporated in the British Virgin Islands, all the above subsidiaries were incorporated in Hong Kong.

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45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONT'D)

Particulars of the Company's principal subsidiaries at 31st December, 2003 which were incorporated and have their principal place of operation outside Hong Kong are set out below:

Subsidiaries	Place of incorporation/ operation	Paid up issued ordinary share capital	Proportion of nominal value of issued capital		Principal activity
			held by subsidiaries %	attributable to the Group %	
Allied Properties China Limited	Cayman Islands	US\$1,000	100	75	Investment holding
Best Delta International Limited	British Virgin Islands	US\$1	100	56	Investment holding
Boneast Assets Limited	British Virgin Islands	US\$1	100	56	Investment holding
Constable Development S.A.	Panama	US\$5	100	56	Investment holding
Elecrent Consultants Limited	British Virgin Islands	US\$1	100	75	Investment holding
I-Market Limited	British Virgin Islands	US\$1	100	56	Investment holding
Kenworld Corporation	Republic of Liberia	US\$1	100	75	Investment holding
Lakewood Development Corporation	United States of America	US\$1,000	100	75	Property development and management
Ranbridge, Inc.	The Philippines	Peso5,385,000	100	56	Money lending
Shipshape Investments Limited	British Virgin Islands	US\$1	100	56	Investment holding
SHK Global Managers Limited	British Virgin Islands	US\$5,000	100	56	Fund management
SL Meridian Holdings Limited	British Virgin Islands	HK\$1,000,000	100	56	Investment holding
Sun Hung Kai Capital Markets (Cayman) Limited	Cayman Islands	US\$1	100	56	Financial product origination
Sun Hung Kai Holdings, Inc.	The Philippines	Peso250,000,000 ordinary shares Peso50,000,000 preferred shares	100	56	Investment holding
Sun Hung Kai International Bank [Brunei] Limited	Brunei Darussalam	SGD10,000,000	100	56	International banking business
Sun Hung Kai International Investment Management Limited	British Virgin Islands	US\$50,000	100	56	Investment holding
Sun Hung Kai Investment Services (Macau) Limited	Macau	MOP1,000,000	100	56	Financial service
Sun Hung Kai Online Limited	British Virgin Islands	US\$1	100	56	Online service
Sun Hung Kai Securities (Bermuda) Limited	Bermuda	US\$12,000	100	56	Investment holding and management service
Sun Hung Kai Securities (Phil.), Inc.	The Philippines	Peso273,600,000	100	56	Investment holding
Swan Islands Limited	British Virgin Islands	US\$1	100	56	Investment holding
Tailwind Consultants Limited	British Virgin Islands	US\$1	100	56	Investment holding
Upper Selection Investments Limited	British Virgin Islands	US\$1	100	56	Investment holding
Upstand Assets Limited	British Virgin Islands	US\$1	100	56	Investment holding
Wah Cheong Development (B.V.I.) Limited	British Virgin Islands	US\$2,675,400	100	56	Investment holding
Zeal Goal International Limited	British Virgin Islands	US\$1	100	56	Investment holding

** The subsidiaries are listed in Hong Kong and further details of these subsidiaries are available in its published audited accounts.

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45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONT'D)

The above tables list the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

46. PARTICULARS OF PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31st December, 2003 are set out below.

Associates	Place of incorporation/ operation	Proportion of nominal value of issued capital		Principal activity
		held by subsidiaries %	attributable to the Group %	
Chronicle Gain Limited	Hong Kong	45	25	Property holding
Drinkwater Investment Limited	Hong Kong	22	12	Property holding
Omicron International Limited	British Virgin Islands	44	25	Investment holding
Quality HealthCare Asia Limited**	Bermuda	28	16	Investment holding
Real Estate Investments (N.T.) Limited	Hong Kong	40	22	Property development
Silver York Development Limited	Hong Kong	40	22	Property development
Start Hold Limited	Hong Kong	33	18	Investment holding
Tian An China Investments Company Limited**	Hong Kong	48	27	Investment holding
Yu Ming Investments Limited**	Hong Kong	22	12	Investment holding

** These associates are listed in Hong Kong and further details about these associates are available in their published audited accounts.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

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47. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal jointly controlled entities at 31st December, 2003 are set out below.

Jointly controlled entities	Place of incorporation/ operation	Proportion of nominal value of issued capital		Principal activity
		held by subsidiaries %	attributable to the Group %	
Allied Kajima Limited	Hong Kong	50	37	Property and investment holding
SHK Corporate Finance (Shanghai) Limited	People's Republic of China	33	18	Corporate finance advisory

The above table lists the jointly controlled entity of the Group which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the Directors, result in particulars of excessive length.