

# Notes to the Accounts

## 1. PRINCIPAL ACCOUNTING POLICIES

### (a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounts are prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties and investments in securities other than held-to-maturity debt securities are stated at fair value.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005.

The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st December 2004. The Group is in the process of making an assessment of the impact of these new HKFRSs, but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operation and financial position.

In the current year, the Group's associates engaged in toll road investments in Mainland China have adopted the new Statement of Standard Accounting Practice ("SSAP") Interpretation 22 "The Appropriate Policies for Infrastructure Facilities" ("SSAP Interpretation 22") issued by the HKICPA which became effective on 1st October 2004.

The principal effect of the adoption of SSAP Interpretation 22 is in relation to the depreciation method in respect of infrastructure facilities of the associates. In prior years, depreciation of toll highway operation rights was provided for on the basis of the sinking fund method. By adoption of SSAP Interpretation 22, depreciation of toll highway operation rights are provided for on the basis of a straight-line method.

In the absence of any specific transitional requirements in SSAP Interpretation 22, the new accounting policy has been applied by the associates retrospectively and the comparative amounts for 2003 have been restated accordingly. The corresponding financial effect of adopting this changed accounting policy on the Group is detailed below.

- (i) In the year ended 31st December 2003, the Group's share of results and taxation charges of associates comprised an impairment loss of HK\$13.03 million arising from the impairment of a toll highway operation right and a deferred taxation credit of HK\$1.75 million in relation to the accelerated tax depreciation charges of the toll highway operation rights respectively. Following the adoption of SSAP Interpretation 22, the net carrying value (before any impairment) of the toll highway operation rights held by the associates as at 31st December 2003 was reduced and therefore the impairment charge of HK\$13.03 million is no longer required. In addition, there no longer exists any temporary difference between the net carrying value and tax base of the toll highway operation rights. As a result, the previously recognised impairment loss and deferred taxation credits were reversed by the associates and the Group's share of results and taxation charges of associates and the Group's net profit was therefore increased by HK\$9,602,626, HK\$1,751,399 and HK\$7,851,227 respectively for the year ended 31st December 2003.

# Notes to the Accounts

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (a) Basis of preparation (Continued)

For the year ended 31st December 2004, the adoption of this changed policy has resulted in a decrease in the Group's share of results and taxation charges of associates of HK\$945,014 and HK\$141,752 respectively.

- (ii) The Group's opening retained earnings at 1st January 2003 and 2004 have been reduced by HK\$13,826,940 and HK\$5,975,713 respectively, whilst the Group's investment in associates at 31st December 2003 has been reduced by HK\$5,975,713.

### (b) Consolidation

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

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

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

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

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

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

### (c) Jointly controlled entities

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

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

# Notes to the Accounts

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (c) Jointly controlled entities (Continued)

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

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

### (d) Associates

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

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

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

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

### (e) Revenue recognition

#### (i) *Interest and rental income*

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

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

#### (ii) *Gross premiums written*

Gross premiums written are recognised at the date of risk inception.

# Notes to the Accounts

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (e) Revenue recognition (Continued)

#### (iii) *Sale of properties*

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

#### (iv) *Insurance brokerage commission and management fees*

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

#### (v) *Dividend income*

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

### (f) Fixed assets

Fixed assets other than properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Properties other than investment properties (*note 1(g)*), which are interests in land and buildings, are stated at cost or valuation less accumulated depreciation and accumulated impairment losses. Surpluses arising from valuation of properties other than investment properties are credited to other properties revaluation reserve; decreases are first set off against increases on earlier valuations of the same piece of property other than investment properties and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

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

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

# Notes to the Accounts

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (f) Fixed assets (Continued)

#### (i) Straight line method:

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

#### (ii) Reducing balance method:

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

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

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

### (g) Investment properties

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

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

Investment properties are not depreciated except for those held on leases with unexpired periods of 20 years or less. In which case, depreciation is provided on the carrying amount over the remaining terms of the leases.

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

# Notes to the Accounts

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (h) Impairment of assets

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, except where the asset is carried at valuation, in which case it is treated as a revaluation increase.

### (i) Goodwill/negative goodwill

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

### (j) Investments in securities

#### (i) Trading securities

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

# Notes to the Accounts

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (j) Investments in securities (Continued)

#### (ii) *Non-trading securities*

Non-trading securities other than debt securities intended to be held-to-maturity are stated at fair value at the balance sheet date. Non-trading securities are held by the Group's jointly controlled entities.

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

#### (iii) *Held-to-maturity securities*

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

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

### (k) Properties for sale

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

### (l) Unearned premiums

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

# Notes to the Accounts

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (m) Deferred acquisition costs

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

### (n) Outstanding claims

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

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

### (o) Provision for unexpired risks

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

### (p) Operating leases

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

### (q) Foreign currencies

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

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



# Notes to the Accounts

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (r) Employee benefits

#### (i) *Employee leave entitlements*

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

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

#### (ii) *Retirement benefit costs*

The Group's contributions to staff retirement scheme (*note 5(a)*) are expensed as incurred and are reduced by contributions forfeited in relation to those employees who leave the scheme prior to vesting fully in the contributions.

### (s) Borrowing costs

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

### (t) Segment reporting

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

Unallocated items represent corporate overheads. Segment assets consist primarily of investment properties, properties for sale, land acquisition deposit, receivables, investments in securities, insurance related assets and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and accruals for corporate overheads. Capital expenditure comprises additions to fixed assets (*note 11*). Inter-segment loans and advances employed by the Group as part of the Group's funding and capital allocation and the resulting interest income and expenses are excluded from the determination of segment assets, liabilities and results.

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

### (u) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment less bank overdrafts.

# Notes to the Accounts

## 1. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (v) Provisions

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

### (w) Contingent liabilities and contingent assets

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

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

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

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

# Notes to the Accounts

## 2. TURNOVER AND SEGMENTAL INFORMATION

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

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

	2004 HK\$	2003 HK\$
Turnover		
Gross insurance premiums	57,740,656	52,028,034
Insurance brokerage commission	1,353,756	887,361
Gross proceeds from disposal of properties for sale	68,002,866	53,026,076
Rental income from investment properties	3,813,810	5,160,236
Interest income from loans and bank deposits	4,329,361	4,890,891
Management fee	588,600	551,600
	135,829,049	116,544,198
Reinsurance premiums ceded	(9,546,527)	(11,869,106)
(Increase)/decrease in net unearned insurance premiums written and provision for unexpired risks	(6,843,438)	4,700,442
Other revenues		
Dividend income from listed trading securities	175,813	566,663
Interest income from unlisted held-to-maturity debt securities	205,463	111,433
Net realised and unrealised gain on listed trading securities	–	5,429,143
Gain on disposal of an associate ( <i>note 14</i> )	6,030,032	–
Gain on disposal of investment properties	14,204,660	11,797,570
Compensation received on affected right over usage of land ( <i>a</i> )	3,954,280	–
	24,570,248	17,904,809
Total revenues	144,009,332	127,280,343

- (a) During the year, a local government office of the Tianqiao District People's Government of Jinan, Shandong Province, Mainland China has agreed to pay the Group RMB4.18 million as compensation for the Group's consequential loss of potential profits arising from the Group's affected right over the usage of certain parcels of land in Jinan. The amount was fully settled as at 31st December 2004.

# Notes to the Accounts

## 2. TURNOVER AND SEGMENTAL INFORMATION (Continued)

### Primary reporting format – business segments

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

Financial services	– underwriting of general insurance, insurance brokerage, investing in banking business and trading in securities
Property development and investment	– development and sale of properties and leasing of investment properties
Toll road investment	– investing in toll road projects in Mainland China
Industrial instrument manufacturing	– investing in manufacturers and distributors of digital instruments
Investment holding and others	– this comprises other investment activities of the Group

# Notes to the Accounts

## 2. TURNOVER AND SEGMENTAL INFORMATION (Continued)

### Primary reporting format – business segments (Continued)

	For the year ended 31st December 2004						
	Financial services HK\$	Property development and investment HK\$	Toll road investment HK\$	Industrial instrument manufacturing HK\$	Investment holding and others HK\$	Unallocated items HK\$	Group HK\$
<b>Total revenues</b>	46,362,189	93,424,223	–	–	4,222,920	–	144,009,332
<b>Segment results</b>	7,642,546	38,354,015	(9,866,419)	–	3,186,300	–	39,316,442
Corporate overheads	–	–	–	–	–	(24,634,119)	(24,634,119)
<b>Operating profit</b>	7,642,546	38,354,015	(9,866,419)	–	3,186,300	(24,634,119)	14,682,323
Finance costs	–	(69,854)	–	–	–	–	(69,854)
Share of results of							
– Jointly controlled entities	61,280,153	–	–	3,838,201	–	–	65,118,354
– Associates	–	–	3,931,660	–	56,655	–	3,988,315
<b>Profit before taxation</b>	68,922,699	38,284,161	(5,934,759)	3,838,201	3,242,955	(24,634,119)	83,719,138
Taxation							(20,405,476)
Profit after taxation							63,313,662
Minority interests							(4,964,064)
Profit attributable to shareholders							58,349,598
<b>Segment assets</b>	228,475,503	92,376,600	–	–	444,193,282	–	765,045,385
Investments in jointly controlled entities	523,665,411	–	–	22,518,971	–	–	546,184,382
Investments in associates	–	–	58,604,459	–	10,073,926	–	68,678,385
Corporate assets	–	–	–	–	–	48,620,366	48,620,366
<b>Total assets</b>	752,140,914	92,376,600	58,604,459	22,518,971	454,267,208	48,620,366	1,428,528,518
<b>Segment liabilities</b>	104,440,698	49,108,896	–	–	1,006,498	–	154,556,092
Unallocated liabilities	–	–	–	–	–	11,359,617	11,359,617
<b>Total liabilities</b>	104,440,698	49,108,896	–	–	1,006,498	11,359,617	165,915,709
Capital expenditure	55,431	531,345	–	–	364,816	–	951,592
Depreciation	574,060	273,032	–	–	423,853	1,200,151	2,471,096
Reversal of impairment loss of other properties	–	–	–	–	–	(6,023,700)	(6,023,700)

## Notes to the Accounts

## 2. TURNOVER AND SEGMENTAL INFORMATION (Continued)

## Primary reporting format – business segments (Continued)

For the year ended 31st December 2003 (As restated)							
	Financial services HK\$	Property development and investment HK\$	Toll road investment HK\$	Industrial instrument manufacturing HK\$	Investment holding and others HK\$	Unallocated items HK\$	Group HK\$
Total revenues	56,035,486	66,992,910	–	–	4,251,947	–	127,280,343
Segment results	10,987,431	34,645,206	(1,459,692)	–	3,090,904	–	47,263,849
Corporate overheads	–	–	–	–	–	(22,258,865)	(22,258,865)
Operating profit	10,987,431	34,645,206	(1,459,692)	–	3,090,904	(22,258,865)	25,004,984
Share of results of							
– Jointly controlled entities	54,940,052	–	–	3,045,129	–	–	57,985,181
– Associates (note 1(a))	–	–	1,533,307	–	17,735	–	1,551,042
Profit before taxation	65,927,483	34,645,206	73,615	3,045,129	3,108,639	(22,258,865)	84,541,207
Taxation (note 1(a))							(16,149,634)
Profit after taxation							68,391,573
Minority interests							(3,753,539)
Profit attributable to shareholders							64,638,034
Segment assets	230,939,943	129,975,198	–	–	374,340,493	–	735,255,634
Investments in jointly controlled entities	493,339,852	–	–	19,086,970	–	–	512,426,822
Investments in associates	–	14,763,945	69,699,553	–	10,066,208	–	94,529,706
Corporate assets	–	–	–	–	–	43,797,531	43,797,531
Total assets	724,279,795	144,739,143	69,699,553	19,086,970	384,406,701	43,797,531	1,386,009,693
Segment liabilities	102,254,063	53,822,870	–	–	985,498	–	157,062,431
Unallocated liabilities	–	–	–	–	–	13,796,358	13,796,358
Total liabilities	102,254,063	53,822,870	–	–	985,498	13,796,358	170,858,789
Capital expenditure	155,679	–	–	–	519,006	–	674,685
Depreciation	630,676	225,920	–	–	548,415	1,120,358	2,525,369
Impairment of goodwill	–	–	1,459,692	–	–	–	1,459,692

# Notes to the Accounts

## 2. TURNOVER AND SEGMENTAL INFORMATION (Continued)

### Secondary reporting format – geographical segments

For the year ended 31st December 2004				
	Total revenues HK\$	Operating profit HK\$	Total assets HK\$	Capital expenditure HK\$
Hong Kong	56,606,388	(251,624)	309,275,264	413,596
Mainland China	80,891,077	12,734,663	399,771,320	531,345
Macau	6,511,867	2,199,284	104,619,167	6,651
	<u>144,009,332</u>	<u>14,682,323</u>	<u>813,665,751</u>	<u>951,592</u>
Investments in jointly controlled entities			546,184,382	
Investments in associates			68,678,385	
			<u>1,428,528,518</u>	

For the year ended 31st December 2003 (As restated)				
	Total revenues HK\$	Operating profit HK\$	Total assets HK\$	Capital expenditure HK\$
Hong Kong	53,114,744	(7,880,822)	395,997,615	133,178
Mainland China	55,545,661	19,151,678	349,918,719	448,317
Macau	18,619,938	13,734,128	33,136,831	93,190
	<u>127,280,343</u>	<u>25,004,984</u>	<u>779,053,165</u>	<u>674,685</u>
Investments in jointly controlled entities			512,426,822	
Investments in associates (note 1(a))			94,529,706	
			<u>1,386,009,693</u>	

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

# Notes to the Accounts

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

	2004 HK\$	2003 HK\$
Gross commissions payable	16,584,193	17,093,117
Less: Commissions receivable from reinsurers	(899,776)	(1,402,756)
Net commissions payable	15,684,417	15,690,361
Gross claims incurred	13,977,653	16,953,032
Less: Claims recovered from reinsurers	(2,615,907)	(4,480,808)
Net claims incurred	11,361,746	12,472,224
Claims handling expenses	1,709,630	2,675,053
	28,755,793	30,837,638

## 4. OTHER PROVISIONS AND LOSSES

	2004 HK\$	2003 HK\$
Net realised and unrealised losses in listed trading securities	29,006	–
Revaluation (surplus)/deficit on investment properties	(511,233)	1,883,790
Impairment of goodwill attributable to an associate	–	1,459,692
Impairment losses/(write back of impairment losses) for loans to and amounts due from jointly controlled entities and associates ( <i>note 14</i> )	9,866,419	(9,974,236)
	9,384,192	(6,630,754)



# Notes to the Accounts

## 5. OPERATING PROFIT

	2004 HK\$	2003 HK\$
Operating profit is stated after charging the following:		
Depreciation	2,471,096	2,525,369
Loss on disposal of fixed assets	663,386	34,170
Net exchange losses	216,082	645,495
Operating lease rentals in respect of land and buildings	640,150	344,760
Interest on short term advances wholly repayable within five years ( <i>note 22</i> )	69,854	–
Auditors' remuneration	1,997,441	1,887,130
Management fee ( <i>note 30(b)</i> )	1,880,000	1,880,000
Retirement benefit costs ( <i>a</i> )	615,625	725,125

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

The Group's monthly contributions (mandatory and voluntary) to the MPF Scheme for each employee are calculated at the lower of HK\$2,000 or 10% (or 6% for employees who joined after 30th September 2000) of the monthly basic salary. The Group's contributions to the DC Scheme and MPF Scheme can be reduced by the Group's voluntary contributions forfeited in relation to those employees who leave the schemes prior to vesting fully in the contributions. At 31st December 2004, there were no material unutilised forfeited contributions.

The Group also participates in the employee pension schemes of the respective municipal government in various places in Mainland China where the Group operates for Mainland China employees. The Group makes monthly contributions calculated at a percentage of the monthly payroll costs to these schemes and the respective municipal government undertakes to assume the retirement benefit obligations of all existing and future retired employees of the Group.

# Notes to the Accounts

## 6. SENIOR EXECUTIVES' EMOLUMENTS

### (a) Directors' emoluments

	2004 HK\$	2003 HK\$
Fees	577,192	440,630
Salaries, housing and other allowances, and benefits in kind	1,064,482	989,352
Bonus paid by a subsidiary	–	2,500,000
	<u>1,641,674</u>	<u>3,929,982</u>

The emoluments were paid to the directors as follows:

Emoluments Band	Number of Directors	
	2004 HK\$	2003 HK\$
HK\$ Nil– HK\$1,000,000	9	7

Emoluments paid to independent non-executive directors amounted to HK\$388,115 during the year (2003: HK\$260,000).

# Notes to the Accounts

## 6. SENIOR EXECUTIVES' EMOLUMENTS (Continued)

### (b) Other senior executives' emoluments

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

	2004 HK\$	2003 HK\$
Salaries, housing and other allowances, and benefits in kind	4,530,188	3,627,231
Contributions to retirement benefit scheme	24,000	48,000
Bonus	2,280,000	—
	<b>6,834,188</b>	<b>3,675,231</b>

Emoluments Band	Number of Individuals	
	2004 HK\$	2003 HK\$
HK\$ Nil– HK\$1,000,000	—	3
HK\$1,000,001– HK\$1,500,000	5	1

# Notes to the Accounts

## 7. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year. Taxation on Mainland China and Macau profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in Mainland China and Macau.

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

	<b>2004</b>	2003
	<b>HK\$</b>	HK\$
		As restated (Note 1)
Company and subsidiaries:		
Hong Kong profits tax	8,551	187
Mainland China and Macau taxation	6,437,699	3,206,409
	<b>6,446,250</b>	3,206,596
	-----	-----
Under/(Over) provision in prior years:		
Hong Kong profits tax	(187)	(438)
Macau taxation	38,686	(10,035)
	<b>38,499</b>	(10,473)
	-----	-----
Deferred taxation		
Relating to the origination and reversal of temporary differences (note 23)	(1,624,810)	480,823
	<b>4,859,939</b>	3,676,946
	-----	-----
Jointly controlled entities:		
Mainland China and Macau taxation (note 13(b))	15,526,528	12,472,688
	-----	-----
Associates:		
Mainland China taxation (note 1(a))	19,009	-
	-----	-----
Taxation charge	<b>20,405,476</b>	16,149,634
	=====	=====

# Notes to the Accounts

## 7. TAXATION (Continued)

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

For the year ended 31st December 2004				
	Company and subsidiaries HK\$	Jointly controlled entities HK\$	Associates HK\$	Total HK\$
Profit before taxation	14,612,469	65,118,354	3,988,315	83,719,138
Calculated at a taxation rate of 17.5%	2,557,182	11,395,712	697,956	14,650,850
Effect of different taxation rates in other tax jurisdictions	2,460,063	3,803,292	8,781	6,272,136
Income not subject to taxation	(5,811,922)	(3,336,663)	(829,885)	(9,978,470)
Expenses not deductible for taxation purposes	3,294,977	3,439,937	8,746	6,743,660
Utilisation of previously unrecognised tax losses	(310,102)	–	(8,433)	(318,535)
Increase in unrecognised tax losses	2,805,976	292,162	141,844	3,239,982
Under provision in prior years	38,499	221	–	38,720
Others	(174,734)	(68,133)	–	(242,867)
	4,859,939	15,526,528	19,009	20,405,476

For the year ended 31st December 2003 (As restated)				
	Company and subsidiaries HK\$	Jointly controlled entities HK\$	Associates HK\$	Total HK\$
Profit before taxation	25,004,984	57,985,181	1,551,042	84,541,207
Calculated at a taxation rate of 17.5%	4,375,872	10,147,407	271,433	14,794,712
Effect of different taxation rates in other tax jurisdictions	1,773,446	3,530,997	–	5,304,443
Income not subject to taxation	(5,012,055)	(2,803,922)	(819,621)	(8,635,598)
Expenses not deductible for taxation purposes	1,939,982	1,458,885	–	3,398,867
Utilisation of previously unrecognised tax losses	(780,222)	–	–	(780,222)
Increase in unrecognised tax losses	1,129,260	194,725	548,188	1,872,173
Under/(Over) provision in prior years	(10,473)	259	–	(10,214)
Others	261,136	(55,663)	–	205,473
	3,676,946	12,472,688	–	16,149,634

# Notes to the Accounts

## 8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$5,980,493 (2003: HK\$23,399,424).

## 9. DIVIDEND

	2004 HK\$	2003 HK\$
2003 final, proposed and paid, of 4HK cents per ordinary share	–	18,377,146

## 10. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$58,349,598 (2003: HK\$64,638,034) and the weighted average number of 459,428,656 (2003: 459,428,656) shares in issue during the year.

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

## Notes to the Accounts

## 11. FIXED ASSETS

Group					
	Investment properties HK\$	Other properties HK\$	Furniture, fixtures, office and computer equipment HK\$	Motor vehicles HK\$	Total HK\$
Cost or valuation					
At 1st January 2004	101,710,930	67,834,008	9,392,877	4,887,309	183,825,124
Translation differences	–	(3,016)	(2,283)	(3,318)	(8,617)
Additions	–	–	603,899	347,693	951,592
Revaluation	511,233	–	–	–	511,233
Disposals	(37,500,000)	–	(1,038,677)	(554,765)	(39,093,442)
At 31st December 2004	64,722,163	67,830,992	8,955,816	4,676,919	146,185,890
Accumulated depreciation and impairment losses					
At 1st January 2004	–	22,242,699	5,647,927	3,911,294	31,801,920
Translation differences	–	(348)	(2,330)	(2,999)	(5,677)
Charge for the year	–	1,238,643	944,379	288,074	2,471,096
Reversal of impairment loss (a)	–	(6,023,700)	–	–	(6,023,700)
Disposals	–	–	(430,957)	(499,289)	(930,246)
At 31st December 2004	–	17,457,294	6,159,019	3,697,080	27,313,393
Net book value					
At 31st December 2004	64,722,163	50,373,698	2,796,797	979,839	118,872,497
At 31st December 2003	101,710,930	45,591,309	3,744,950	976,015	152,023,204

## Notes to the Accounts

## 11. FIXED ASSETS (Continued)

Company					
	Investment properties HK\$	Other properties HK\$	Furniture, fixtures, office and computer equipment HK\$	Motor vehicles HK\$	Total HK\$
Cost or valuation					
At 1st January 2004	21,810,930	5,219,254	2,743,069	3,771,204	33,544,457
Translation differences	–	(2,646)	–	–	(2,646)
Additions	–	–	362,216	–	362,216
Revaluation	(1,388,767)	–	–	–	(1,388,767)
Disposals	–	–	(212,004)	(871,384)	(1,083,388)
At 31st December 2004	20,422,163	5,216,608	2,893,281	2,899,820	31,431,872
Accumulated depreciation and impairment losses					
At 1st January 2004	–	1,382,736	1,429,214	3,349,236	6,161,186
Translation differences	–	(247)	–	–	(247)
Charge for the year	–	65,969	283,276	70,671	419,916
Disposals	–	–	(193,126)	(797,780)	(990,906)
At 31st December 2004	–	1,448,458	1,519,364	2,622,127	5,589,949
Net book value					
<b>At 31st December 2004</b>	<b>20,422,163</b>	<b>3,768,150</b>	<b>1,373,917</b>	<b>277,693</b>	<b>25,841,923</b>
At 31st December 2003	21,810,930	3,836,518	1,313,855	421,968	27,383,271

- (a) Due to the general recovery of the property market in Hong Kong, the Group recognised a reversal of impairment loss of HK\$6,023,700 (2003: Nil) against other properties previously charged against other properties revaluation reserve with reference to the open market value of those properties as at 31st December 2004 as valued by an independent professional valuer.



# Notes to the Accounts

## 11. FIXED ASSETS (Continued)

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

### Group

	Investment properties HK\$	Other properties HK\$	Furniture, fixtures, office and computer equipment HK\$	Motor vehicles HK\$	Total HK\$
<b>At 31st December 2004</b>					
At cost	–	14,830,992	8,955,816	4,676,919	28,463,727
At valuation	64,722,163	53,000,000	–	–	117,722,163
	64,722,163	67,830,992	8,955,816	4,676,919	146,185,890
<b>At 31st December 2003</b>					
At cost	–	14,834,008	9,392,877	4,887,309	29,114,194
At valuation	101,710,930	53,000,000	–	–	154,710,930
	101,710,930	67,834,008	9,392,877	4,887,309	183,825,124

### Company

	Investment properties HK\$	Other properties HK\$	Furniture, fixtures, office and computer equipment HK\$	Motor vehicles HK\$	Total HK\$
<b>At 31st December 2004</b>					
At cost	–	5,216,608	2,893,281	2,899,820	11,009,709
At valuation	20,422,163	–	–	–	20,422,163
	20,422,163	5,216,608	2,893,281	2,899,820	31,431,872
<b>At 31st December 2003</b>					
At cost	–	5,219,254	2,743,069	3,771,204	11,733,527
At valuation	21,810,930	–	–	–	21,810,930
	21,810,930	5,219,254	2,743,069	3,771,204	33,544,457

# Notes to the Accounts

## 11. FIXED ASSETS (Continued)

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

### Investment properties

	Group		Company	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Held in Hong Kong				
Leases of over 50 years	9,300,000	43,900,000	–	–
Leases of between 10 to 50 years	29,500,000	27,000,000	–	–
Held outside Hong Kong				
Leases of between 10 to 50 years	25,922,163	30,810,930	20,422,163	21,810,930
	<b>64,722,163</b>	<b>101,710,930</b>	<b>20,422,163</b>	<b>21,810,930</b>

### Other properties

	Group		Company	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Held in Hong Kong				
Leases of over 50 years	47,744,303	42,882,071	2,937,361	2,974,908
Held outside Hong Kong				
Freehold	265,600	272,000	–	–
Leases of over 50 years	1,436,952	1,473,693	–	–
Leases of between 10 to 50 years	926,843	963,545	830,789	861,610
	<b>50,373,698</b>	<b>45,591,309</b>	<b>3,768,150</b>	<b>3,836,518</b>

# Notes to the Accounts

## 11. FIXED ASSETS (Continued)

The investment properties were revalued on an open market value basis at 31st December 2004 by independent professional valuers, Chesterton Petty Limited and Vigers Appraisal & Consulting Limited in Hong Kong and Fujian Huaxing Certified Public Accountants Ltd. in Mainland China.

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

The carrying amount of other properties of the Group would have been HK\$27,940,503 (2003: HK\$29,072,559) had they been stated at cost less accumulated depreciation and impairment losses.

The title deeds in respect of certain investment properties in Hong Kong with a net book value of HK\$38.8 million (2003: HK\$33.4 million) held by a subsidiary are placed in the custody of the Office of the Commissioner of Insurance in Hong Kong.

## 12. SUBSIDIARIES

	Company	
	2004	2003
	HK\$	HK\$
Unlisted shares, at cost	61,155,034	60,655,034
Amounts due from subsidiaries	256,917,879	327,603,697
Amount due to a subsidiary	(2,619)	(3,203)
	318,070,294	388,255,528
Less: Impairment losses	(158,999,713)	(161,389,174)
	159,070,581	226,866,354

# Notes to the Accounts

## 12. SUBSIDIARIES (Continued)

The following is a list of the Company's principal subsidiaries at 31st December 2004:

Name	Place of incorporation/ operations	Principal activities	Nominal value of issued ordinary share capital/ registered capital	Group's equity interest
<b>Directly held:-</b>				
Dorfine Development Limited	Hong Kong	Property investment	HK\$2	100%
Fujian Minxin Investment Consultants Co., Ltd. <sup>(1) &amp; (2)</sup>	The People's Republic of China	Investment consulting	HK\$3,000,000 <sup>(4)</sup>	100%
Min Xin (China) Investment Limited	British Virgin Islands	Investment holding	US\$1	100%
Min Xin Infrastructure Limited	British Virgin Islands	Investment holding	US\$1	100%
Min Xin Insurance Company Limited	Hong Kong	Writing of general insurance business	HK\$55,000,000	100%
Ranger Insurance Brokers Limited	Hong Kong	Insurance brokerage	HK\$600,000	100%
Take Chance Company Limited	Hong Kong	Property investment	HK\$2	100%
Thousand Limited	British Virgin Islands	Investment holding	US\$1	100%
Welljet Development Limited	Hong Kong	Property investment	HK\$2	100%

# Notes to the Accounts

## 12. SUBSIDIARIES (Continued)

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

(1) Companies not audited by PricewaterhouseCoopers. The Group's profit before taxation attributable to these companies amounted to HK\$16,238,766 (2003: HK\$11,869,259).

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

(3) Equity joint venture enterprise in Mainland China.

(4) Represents registered and paid up capital of these companies.

## Notes to the Accounts

## 13. JOINTLY CONTROLLED ENTITIES

	Group	
	2004	2003
	HK\$	HK\$
Share of net assets	529,850,712	496,093,152
Loans to jointly controlled entities ( <i>note (a)</i> )	16,333,670	110,256,527
Amounts due from jointly controlled entities ( <i>note (a)</i> )	13,500,000	51,130,299
	29,833,670	161,386,826
Less: Impairment losses ( <i>note (a)</i> )	(13,500,000)	(145,053,156)
	16,333,670	16,333,670
	546,184,382	512,426,822
Unlisted investments, at cost	210,805,040	210,805,040

	Company	
	2004	2003
	HK\$	HK\$
Unlisted investments, at cost	210,805,000	210,805,000
Loans to jointly controlled entities ( <i>note (a)</i> )	–	93,922,857
Amounts due from jointly controlled entities ( <i>note (a)</i> )	13,500,000	51,130,299
	224,305,000	355,858,156
Less: Impairment losses ( <i>note (a)</i> )	(18,505,000)	(150,058,156)
	205,800,000	205,800,000

## Notes to the Accounts

### 13. JOINTLY CONTROLLED ENTITIES (Continued)

- (a) As at 31st December 2004, loans and other amounts were advanced to the jointly controlled entities as part of the Group's and the Company's investments in these jointly controlled entities and are unsecured, interest free and have no fixed repayment terms.

As a result of the accumulated losses arising from certain joint ventures, impairment losses were recognised by the Group and the Company against the investments and the loans and amounts due from these jointly controlled entities in prior years. Interest income on these loans is accounted for on a cash basis and no interest income was received during the year (2003: Nil). In view of the current financial position of a jointly controlled entity and as the recovery of the balance outstanding was considered to be remote, the Group and the Company have written off the loans and amounts due from that jointly controlled entity of HK\$93,922,857 and HK\$37,630,299 respectively and the corresponding cumulative impairment losses made of HK\$131,553,156.

The Group and the Company also have bank deposits placed with jointly controlled financial institutions in the normal course of business which are included in cash and bank balances (note 20(a)).

## Notes to the Accounts

## 13. JOINTLY CONTROLLED ENTITIES (Continued)

The following is a list of the principal jointly controlled entities at 31st December 2004:

Name	Place of incorporation/ operations	Principal activities	Group's equity interest
<b>Directly held:–</b>			
Xiamen International Bank, and its subsidiaries:–	The People's Republic of China	Banking and investment holding	36.75%
Fast Rise Investments Limited	Hong Kong	Property investment	36.75%
Luso International Banking Limited	Macau	Banking	36.75%
Setwide Investments Limited	Hong Kong	Property investment	36.75%
Silver Win Development Limited	Hong Kong	Property investment	36.75%
Wealth Rise Development Limited	Hong Kong	Property investment	36.75%
Xiamen International Investment Limited	Hong Kong	Investment holding	36.75%
XIB Properties Limited	Liberia	Property investment	36.75%
<b>Indirectly held:–</b>			
Min Faith Investments Limited <sup>(1)</sup> , and its subsidiaries:–	Hong Kong	Investment holding	40%
Fuzhou Charm Faith Autosystem Co., Ltd. <sup>(1)</sup>	The People's Republic of China	Manufacturing and distribution of digital instruments	40%
Fuzhou Charm Faith Instruments Co., Ltd. <sup>(1)</sup>	The People's Republic of China	Manufacturing and distribution of digital instruments	40%
Min Faith Instruments Limited <sup>(1)</sup>	Hong Kong	Investment holding	20.4%
Tianjin Charm Faith Instruments Co., Ltd. <sup>(1)</sup>	The People's Republic of China	Manufacturing and distribution of digital instruments	20.4%

(1) Companies not audited by PricewaterhouseCoopers. The Group's attributable share of profit before taxation with respect to these companies amounted to HK\$3,838,201 (2003: HK\$3,045,129).



# Notes to the Accounts

## 13. JOINTLY CONTROLLED ENTITIES (Continued)

- (b) For the year ended 31st December 2004, the Group's share of profit and taxation of Xiamen International Bank ("XIB") amounted to HK\$61,698,203 (2003: HK\$54,940,052) and HK\$14,977,502 (2003: HK\$12,180,819) respectively. XIB is a major jointly controlled entity directly held by the Company. The Group holds a 36.75% equity interest and, jointly with a substantial shareholder of the Company, a 47.62% interest in voting power of the board of directors of XIB. The financial information of XIB extracted from its statutory accounts prepared in accordance with generally accepted accounting principles in The People's Republic of China is as follows:

### (i) Consolidated profit and loss account

	2004 HK\$'000	2003 HK\$'000
Net interest income	206,371	247,936
Other operating income	234,619	165,010
Provision for doubtful loans	(58,658)	(56,938)
Depreciation of fixed assets	(20,788)	(20,804)
Other operating expenses	(197,018)	(191,535)
Profit before taxation	164,526	143,669
Taxation	(30,507)	(27,369)
Net profit	134,019	116,300

### (ii) Consolidated balance sheet

	2004 HK\$'000	2003 HK\$'000
Cash and short term funds	2,066,927	1,102,504
Investments	2,394,685	2,007,875
Loans and advances and other assets, less provisions	10,902,502	8,655,160
Fixed assets	202,338	213,260
Deposits and other liabilities	(14,173,408)	(10,669,264)
Net assets	1,393,044	1,309,535
Share capital	800,000	800,000
Reserves	593,044	509,535
Shareholders' equity	1,393,044	1,309,535

## Notes to the Accounts

## 14. ASSOCIATES

	Group	
	2004	2003
	HK\$	HK\$
Share of net assets	23,493,409	23,759,431
Loans to associates	55,051,395	70,664,162
Amount due from an associate	–	106,113
	55,051,395	70,770,275
Less: Impairment losses	(9,866,419)	–
	45,184,976	70,770,275
	68,678,385	94,529,706
Unlisted investments, at cost	14,515,029	16,355,633
	10,069,838	10,069,838

  

	Company	
	2004	2003
	HK\$	HK\$
Unlisted investments, at cost	10,069,838	10,069,838

During the year, the Group disposed of its entire equity and debt interests in an associate, Changchun Changxin International Real Estate Development Co., Ltd., to a third party for a cash consideration of RMB22.15 million (equivalent to approximately HK\$20.9 million). The Group held a 20% interest in this associate and the net carrying value of the Group's investment (including loans to and amount dues from the associate) as at 31st December 2003 amounted to approximately HK\$14.8 million. The Group has written back an impairment loss of HK\$9.2 million previously made against the loans and amount due from that associate in 2003 and recognised a gain of HK\$6,030,032 (*note 2*) from this disposal in 2004.

As at 31st December 2004, the loans to associates are unsecured, interest free and have no fixed repayment terms. These loans represent part of the Group's investments in the two associates which are engaged in toll road investments. As a result of the decline in toll revenue and losses incurred by one of the associates, the directors have reassessed the recoverability of the gross outstanding loan balance of HK\$35.4 million advanced to that associate and considered that an impairment loss of HK\$9,866,419 should be made against the loan as at 31st December 2004 based on the estimated net realisable value of the toll road investment held by that associate.

# Notes to the Accounts

## 14. ASSOCIATES (Continued)

The following is a list of the principal associates at 31st December 2004:

Name	Place of incorporation/ operations	Principal activities	Group's equity interest
<b>Directly held:-</b>			
Fujian Hua Yuan City Construction Environment Protection Co., Ltd. <sup>(1)</sup>	The People's Republic of China	Sewage and waste treatment services	25%
<b>Indirectly held:-</b>			
Promise Good Limited <sup>(1)</sup> , and its subsidiaries:-	British Virgin Islands	Investment holding	40%
Nickwell Investments Limited <sup>(1)</sup>	British Virgin Islands	Investment holding	40%
Raytek Investments Limited <sup>(1)</sup>	British Virgin Islands	Investment holding	40%
Wise Link Investments Limited <sup>(1)</sup>	British Virgin Islands	Investment holding	40%
Ningbo Nickwell Highway Development Company Limited <sup>(1)</sup>	The People's Republic of China	Infrastructure	26% <sup>(2)</sup>
Ningbo Rayter Highway Development Company Limited <sup>(1)</sup>	The People's Republic of China	Infrastructure	26% <sup>(2)</sup>
Ningbo Wise Link Highway Development Company Limited <sup>(1)</sup>	The People's Republic of China	Infrastructure	26% <sup>(2)</sup>
Vigorous Developments Limited <sup>(1)</sup> , and its subsidiary :-	British Virgin Islands	Investment holding	30%
Maanshan Huan Tung Highway Development Limited <sup>(1)</sup>	The People's Republic of China	Infrastructure	21% <sup>(3)</sup>

(1) Companies not audited by PricewaterhouseCoopers. The Group's attributable share of net profit before taxation with respect to these companies amounted to HK\$3,988,315 (2003: HK\$1,551,042).

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

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

# Notes to the Accounts

## 15. OTHER ASSET

	Group and Company	
	2004	2003
	HK\$	HK\$
Advance to an unrelated company	64,500,000	64,500,000
Less: Impairment losses	(6,450,000)	(6,450,000)
	<b>58,050,000</b>	<b>58,050,000</b>

The advance is secured by certain units of a building in Fuzhou, Mainland China. Interest of 14% and management fee of 4% per annum is payable by the borrower on the advance. Due to the financial position of the lender, the Group and the Company have ceased accruing interest and management fee on the advance since 2001.

In 2001, the Company took legal action against the borrower for settlement of the advance which was not repaid as originally scheduled. On 26th January 2001, a court order was granted to confirm the Company's right to foreclose on the secured units of the building held as collateral.

The Company arranged for the disposal of the property collateral by public auction in 2003 and the results were unsatisfactory due to the absence of a certificate of compliance for the building. In order to speed up the realisation process, during the year the Company and the main contractor of the building jointly appointed a law firm in Mainland China to take necessary steps for the issuance of the certificate of compliance for the building.

The directors, based on a valuation performed by an independent professional valuer as of 31st December 2004 and the progress made in disposing of the collateral, consider that an impairment loss of HK\$6,450,000 against the advance brought forward from the prior year is adequate and appropriate.

## 16. LAND ACQUISITION DEPOSIT

As at 31st December 2004, a non-wholly owned subsidiary of the Group has made full payment (inclusive of transaction costs) of RMB72.1 million (equivalent to HK\$67.7 million) to the Land and Resources Bureau of Jinan City (the "Bureau") for the acquisition of the land use rights of a parcel of land in Jinan in its ordinary course of property development and sales business. A land use rights agreement was signed with the Bureau in January 2005 and the Group is currently in the process to obtain the land use rights certificate of that parcel of land.

# Notes to the Accounts

## 17. PROPERTIES FOR SALE

	Group	
	2004	2003
	HK\$	HK\$
Completed properties for sale, at cost	–	32,960,761

## 18. INSURANCE DEBTORS

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

At 31st December 2004, the ageing analysis of the insurance debtors by invoice date was as follows:

	Group	
	2004	2003
	HK\$	HK\$
Within 30 days	4,286,924	3,359,470
31-60 days	3,357,819	3,468,581
61-90 days	8,068,186	2,970,985
Over 90 days	3,169,624	3,978,278
	18,882,553	13,777,314

## 19. TRADING SECURITIES, LISTED

	Group		Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Equity securities, listed in Hong Kong at market value	6,199,974	5,665,096	3,499,974	3,115,096

# Notes to the Accounts

## 20. CASH AND BANK BALANCES

Included in cash and bank balances are :

- (a) deposits with jointly controlled financial institutions totalling HK\$337,546,492 (2003: HK\$216,143,594) by the Group and HK\$325,203,105 (2003: HK\$204,849,872) by the Company. The deposits carry interest at normal commercial rates and have generated interest income of HK\$2,752,697 (2003: HK\$2,065,685) to the Group for the year.
- (b) deposits of RMB128,637,902 (equivalent to HK\$120,784,558) placed with certain banks (including jointly controlled financial institutions as disclosed in note (a) above) in Mainland China (2003: RMB143,046,050, equivalent to HK\$134,713,618).

In accordance with a request from the Hong Kong Insurance Authority, a subsidiary maintains at all time a portion of its funds, being not less than HK\$16 million (2003: HK\$16 million), in fixed deposits. The subsidiary also pledged a fixed deposit of HK\$5,966,801 (2003: HK\$5,237,030) in favour of Autoridade Monetaria de Macau to guarantee the gross technical reserves of the Macau branch which comprise of outstanding claims and unearned premium reserves as required under the Macau Insurance Ordinance.

## 21. INSURANCE LIABILITIES

At 31st December 2004, the ageing analysis of the insurance liabilities by invoice date was as follows:

	Group	
	2004	2003
	HK\$	HK\$
Within 30 days	2,351,586	796,351
31-60 days	1,286,934	1,771,455
61-90 days	4,156,633	1,218,123
Over 90 days	968,821	1,819,702
	<b>8,763,974</b>	<b>5,605,631</b>

## 22. SHORT TERM ADVANCES

As at 31st December 2004, a non-wholly owned subsidiary of the Group has obtained unsecured RMB advances of RMB8.5 million (equivalent to HK\$8.0 million) and RMB14 million (equivalent to HK\$13.1 million) from a non-financial institution and local government office respectively in Mainland China for financing its acquisition of the land use rights over a parcel of land (note 16). The RMB8.5 million interest bearing advance is repayable on 30th June 2005 whilst the RMB14.0 million interest free advance was repaid by the non-wholly owned subsidiary in February 2005 through the drawdown of an unsecured interest bearing advance of RMB17.0 million (equivalent to HK\$16.0 million) from another non-financial institution which is repayable on 5th August 2005.

## Notes to the Accounts

### 23. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%) for Hong Kong taxation and 33% (2003: 33%) for Mainland China taxation. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

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

	2004 HK\$	2003 HK\$
At the beginning of the year	4,547,468	3,803,715
Deferred taxation (credited)/charged to profit and loss account	(1,624,810)	480,823
Deferred taxation charged to other properties revaluation reserve	1,054,148	262,507
Exchange differences	3,047	423
At the end of the year	3,979,853	4,547,468

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. At 31st December 2004, the Group has estimated unrecognised tax losses of HK\$93,742,772 (2003: HK\$80,440,770) to carry forward against future taxable income. These tax losses have no expiry date.

## Notes to the Accounts

**23. DEFERRED TAXATION (Continued)**

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

**Deferred tax liabilities**

	Accelerated tax depreciation		Revaluation of properties		Accrued income		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January	1,002,214	917,161	2,974,308	2,800,086	2,511,128	1,291,546	6,487,650	5,008,793
Charged/(credited) to profit and loss account	(335,340)	85,053	(102,647)	(88,285)	(2,184,182)	1,217,946	(2,622,169)	1,214,714
Charged to equity	-	-	1,054,148	262,507	-	-	1,054,148	262,507
Exchange differences	(21)	-	-	-	6,030	1,636	6,009	1,636
At 31st December	666,853	1,002,214	3,925,809	2,974,308	332,976	2,511,128	4,925,638	6,487,650

**Deferred tax assets**

	Tax losses		Unearned income		Total	
	2004	2003	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January	(1,001,302)	(929,865)	(938,880)	(275,213)	(1,940,182)	(1,205,078)
Charged/(credited) to profit and loss account	55,517	(71,437)	941,842	(662,454)	997,359	(733,891)
Exchange differences	-	-	(2,962)	(1,213)	(2,962)	(1,213)
At 31st December	(945,785)	(1,001,302)	-	(938,880)	(945,785)	(1,940,182)

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

	2004	2003
	HK\$	HK\$
Deferred tax liabilities	3,979,853	4,547,468

The amount shown in the balance sheet includes the following:

Deferred tax liabilities to be settled after more than 12 months	3,565,475	2,886,023
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# Notes to the Accounts

## 24. SHARE CAPITAL

	Authorised	
	Ordinary shares of HK\$1 each	
	No. of shares	HK\$
At 31st December 2004 and 2003	800,000,000	800,000,000
	Issued and fully paid	
	Ordinary shares of HK\$1 each	
	No. of shares	HK\$
At 31st December 2004 and 2003	459,428,656	459,428,656

## Notes to the Accounts

## 25. RESERVES

## Group

	Share premium HK\$	Capital redemption reserve HK\$	Statutory reserve HK\$	General reserve HK\$	Investment revaluation reserve HK\$	Other properties revaluation reserve HK\$	Exchange translation reserve HK\$	Capital reserve HK\$	Sub-total HK\$	Retained profits HK\$	Total HK\$
At 1st January 2004											
– as previously stated	384,620,414	47,086,000	34,171,673	44,372,423	9,776,295	19,212,780	386,703	134,433,527	674,059,815	87,638,146	761,697,961
– prior period adjustment on depreciation of toll highway operation rights of associates (Note 1(a))	–	–	–	–	–	–	–	–	–	(5,975,713)	(5,975,713)
At 1st January 2004, as restated	384,620,414	47,086,000	34,171,673	44,372,423	9,776,295	19,212,780	386,703	134,433,527	674,059,815	81,662,433	755,722,248
Reversal of impairment loss of other properties	–	–	–	–	–	6,023,700	–	–	6,023,700	–	6,023,700
Change in fair value of non-trading securities	–	–	–	–	3,056,331	–	–	–	3,056,331	–	3,056,331
Deferred tax liabilities recognised	–	–	–	–	(458,450)	(1,054,148)	–	–	(1,512,598)	–	(1,512,598)
Disposal of an associate	–	–	–	–	–	–	78,732	–	78,732	–	78,732
Exchange differences arising on translation of the financial statements of foreign subsidiaries, associates and jointly controlled entities	–	–	–	(2,533)	–	–	(148,437)	(5,742)	(156,712)	–	(156,712)
Profit attributable to shareholders	–	–	–	–	–	–	–	–	–	58,349,598	58,349,598
Transfers	–	–	4,115,985	16,847,709	–	–	–	–	20,963,694	(20,963,694)	–
Dividends	–	–	–	–	–	–	–	–	–	(18,377,146)	(18,377,146)
<b>At 31st December 2004</b>	<b>384,620,414</b>	<b>47,086,000</b>	<b>38,287,658</b>	<b>61,217,599</b>	<b>12,374,176</b>	<b>24,182,332</b>	<b>316,998</b>	<b>134,427,785</b>	<b>702,512,962</b>	<b>100,671,191</b>	<b>803,184,153</b>
Representing:											
2004 final dividend proposed										–	
Others										100,671,191	
Retained profits as at 31st December 2004										<b>100,671,191</b>	

## Notes to the Accounts

## 25. RESERVES (Continued)

## Group

	Share premium HK\$	Capital redemption reserve HK\$	Statutory reserve HK\$	General reserve HK\$	Investment revaluation reserve HK\$	Other properties revaluation reserve HK\$	Exchange translation reserve HK\$	Capital reserve HK\$	Sub-total HK\$	Retained profits HK\$	Total HK\$
At 1st January 2003											
– as previously stated	384,620,414	47,086,000	31,033,936	52,862,258	9,298,284	19,475,287	405,123	132,973,835	677,755,137	25,499,241	703,254,378
– prior period adjustment											
on depreciation of toll											
highway operation											
rights of associates											
(Note 1(a))	–	–	–	–	–	–	–	–	–	(13,826,940)	(13,826,940)
At 1st January 2003,											
as restated	384,620,414	47,086,000	31,033,936	52,862,258	9,298,284	19,475,287	405,123	132,973,835	677,755,137	11,672,301	689,427,438
Change in fair value of											
non-trading securities	–	–	–	–	562,366	–	–	–	562,366	–	562,366
Deferred tax liabilities											
recognised	–	–	–	–	(84,355)	(262,507)	–	–	(346,862)	–	(346,862)
Impairment of goodwill	–	–	–	–	–	–	–	1,459,692	1,459,692	–	1,459,692
Exchange differences arising											
on translation of the											
financial statements of											
foreign subsidiaries,											
associates and jointly											
controlled entities	–	–	–	–	–	–	(18,420)	–	(18,420)	–	(18,420)
Profit attributable											
to shareholders	–	–	–	–	–	–	–	–	–	64,638,034	64,638,034
Transfers	–	–	3,137,737	(8,489,835)	–	–	–	–	(5,352,098)	5,352,098	–
At 31st December 2003	384,620,414	47,086,000	34,171,673	44,372,423	9,776,295	19,212,780	386,703	134,433,527	674,059,815	81,662,433	755,722,248
Representing:											
2003 final dividend proposed										18,377,146	
Others										63,285,287	
Retained profits as at 31st December 2003										81,662,433	

## Notes to the Accounts

## 25. RESERVES (Continued)

## Group

	Share premium	Capital redemption reserve	Statutory reserve	General reserve	Investment revaluation reserve	Other properties revaluation reserve	Exchange translation reserve	Capital reserve	Sub-total	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Company and subsidiaries	384,620,414	47,086,000	–	762,614	–	24,182,332	573,129	(3,819,491)	453,404,998	21,755,103	475,160,101
Jointly controlled entities	–	–	37,532,209	60,454,985	12,374,176	–	(48,872)	141,178,481	251,490,979	67,554,693	319,045,672
Associates	–	–	755,449	–	–	–	(207,259)	(2,931,205)	(2,383,015)	11,361,395	8,978,380
<b>At 31st December 2004</b>	<b>384,620,414</b>	<b>47,086,000</b>	<b>38,287,658</b>	<b>61,217,599</b>	<b>12,374,176</b>	<b>24,182,332</b>	<b>316,998</b>	<b>134,427,785</b>	<b>702,512,962</b>	<b>100,671,191</b>	<b>803,184,153</b>
Company and subsidiaries	384,620,414	47,086,000	–	449,571	–	19,212,780	640,708	(3,819,491)	448,189,982	14,917,030	463,107,012
Jointly controlled entities	–	–	33,508,619	43,922,852	9,776,295	–	–	141,184,223	228,391,989	56,896,123	285,288,112
Associates	–	–	663,054	–	–	–	(254,005)	(2,931,205)	(2,522,156)	9,849,280	7,327,124
<b>At 31st December 2003</b>	<b>384,620,414</b>	<b>47,086,000</b>	<b>34,171,673</b>	<b>44,372,423</b>	<b>9,776,295</b>	<b>19,212,780</b>	<b>386,703</b>	<b>134,433,527</b>	<b>674,059,815</b>	<b>81,662,433</b>	<b>755,722,248</b>

The statutory reserve is set aside from retained earnings in accordance with the relevant statutory requirements. The general reserve is transferred from retained earnings and is available for general use. The capital reserve represents goodwill and negative goodwill arising from consolidation of subsidiaries and associates acquired prior to 1st January 2001 and capitalisation of reserves by a jointly controlled entity for the purpose of increasing its share capital in previous years. At 31st December 2004, capital reserve included goodwill of HK\$6,826,441 (2003: HK\$6,826,441) and negative goodwill of HK\$75,745 (2003: HK\$75,745).

# Notes to the Accounts

## 25. RESERVES (Continued)

Company				
	Share premium HK\$	Capital redemption reserve HK\$	Retained profits HK\$	Total HK\$
At 1st January 2004	384,620,414	47,086,000	19,237,510	450,943,924
Profit for the year	–	–	5,980,493	5,980,493
Dividends	–	–	(18,377,146)	(18,377,146)
<b>At 31st December 2004</b>	<b>384,620,414</b>	<b>47,086,000</b>	<b>6,840,857</b>	<b>438,547,271</b>
Representing:				
2004 final dividend proposed			–	
Others			6,840,857	
Retained profits as at 31st December 2004			<b>6,840,857</b>	
At 1st January 2003	384,620,414	47,086,000	(4,161,914)	427,544,500
Profit for the year	–	–	23,399,424	23,399,424
<b>At 31st December 2003</b>	<b>384,620,414</b>	<b>47,086,000</b>	<b>19,237,510</b>	<b>450,943,924</b>
Representing:				
2003 final dividend proposed			18,377,146	
Others			860,364	
Retained profits as at 31st December 2003			<b>19,237,510</b>	

## 26. CONTINGENT LIABILITIES

A non-wholly owned subsidiary of the Group has issued guarantees for bank mortgage loan facilities obtained by certain buyers to acquire properties in Mainland China from it. As at 31st December 2004, the outstanding loan balances amounted to RMB40,247,696 (equivalent to HK\$37,790,574) (2003: RMB28,733,200, equivalent to HK\$27,059,491). These guarantee will be released upon the receipt of title deeds of the related mortgaged properties by the banks which normally takes less than one year from the date of guarantee.

## Notes to the Accounts

## 27. CAPITAL COMMITMENTS

## (a) For property, plant and equipment

	Group		Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Authorised but not contracted for	2,600,000	–	2,600,000	–
Contracted but not provided for	155,669	156,133	155,669	156,133
	<u>2,755,669</u>	<u>156,133</u>	<u>2,755,669</u>	<u>156,133</u>

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

Contracted but not provided for	<u>1,215,513</u>	<u>1,421,817</u>
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## (b) For property development

	Group	
	2004	2003
	HK\$	HK\$
Contracted but not provided for	<u>–</u>	<u>128,627</u>

## (c) Other commitment

On 19th July 2004, the Company entered into a conditional agreement (the “Agreement”) with the liquidation team of Fujian International Trust & Investment Corporation (the “Vendor”), a substantial shareholder of the Company, to acquire 108,000,000 unlisted ordinary domestic shares of Huaneng Power International, Inc. (the “Asset”) at a cash consideration of RMB358.56 million (equivalent to approximately HK\$338.94 million) as adjusted by an amount equal to the appreciation in the net asset value (as defined in the Agreement) of the Asset from 1st January 2004 to the date of the payment of the aforementioned consideration of RMB358.56 million. The transaction was approved by the independent shareholders of the Company in an extraordinary general meeting held on 17th September 2004 and was pending approvals from the relevant Mainland China authorities as at 31st December 2004. Subsequent to the balance sheet date, the Company entered into a supplemental agreement with the Vendor adjusting the purchase consideration of the acquisition (*note 31*).

# Notes to the Accounts

## 28. LEASE COMMITMENTS

### (a) As lessee

At 31st December 2004, the Group and the Company had future aggregate minimum lease payments payable under non-cancellable operating leases as follows:

	Group		Company	
	2004	2003	2004	2003
	HK\$	HK\$	HK\$	HK\$
Land and buildings				
Within one year	697,233	270,920	208,000	1,090,320
In the second to fifth year inclusive	478,964	184,000	288,000	184,000
	1,176,197	454,920	496,000	1,274,320

### (b) As lessor

At 31st December 2004, the Group had future aggregate minimum lease payments receivable under non-cancellable operating leases as follows:

	Group	
	2004	2003
	HK\$	HK\$
Land and buildings		
Within one year	2,775,000	4,416,262
In the second to fifth year inclusive	2,025,000	5,506,104
	4,800,000	9,922,366

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

## Notes to the Accounts

**29. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH (OUTFLOW)/INFLOW GENERATED FROM OPERATIONS**

	<b>2004</b>	<b>2003</b>
	<b>HK\$</b>	<b>HK\$</b>
		As restated (Note 1)
Profit before taxation	<b>83,719,138</b>	84,541,207
Share of profits of jointly controlled entities	<b>(65,118,354)</b>	(57,985,181)
Share of profits of associates	<b>(3,988,315)</b>	(1,551,042)
(Surplus)/deficit on revaluation of investment properties	<b>(511,233)</b>	1,883,790
Provision for/(write back of) impairment losses for loans to and amounts due from jointly controlled entities and associates	<b>9,866,419</b>	(9,974,236)
Depreciation	<b>2,471,096</b>	2,525,369
Amortisation of premium on purchase of unlisted held-to-maturity debt securities	<b>5,221</b>	3,182
Gain on disposal of an associate	<b>(6,030,032)</b>	–
Loss on disposal of fixed assets	<b>663,386</b>	34,170
Gain on disposal of investment properties	<b>(14,204,660)</b>	(11,797,570)
Impairment of goodwill	<b>–</b>	1,459,692
Dividend income from listed trading securities	<b>(175,813)</b>	(566,663)
Interest income from unlisted held-to-maturity debt securities	<b>(205,463)</b>	(111,433)
Interest income from loans and bank deposits	<b>(4,329,361)</b>	(4,890,891)
Interest expenses	<b>69,854</b>	–
Operating profit before working capital changes	<b>2,231,883</b>	3,570,394
Decrease/(increase) in amounts due from associates	<b>106,113</b>	(26)
Increase in land acquisition deposit	<b>(67,698,295)</b>	–
Decrease/(increase) in properties for sale	<b>32,960,761</b>	(9,274,883)
(Increase)/decrease in deferred acquisition costs	<b>(3,597,227)</b>	1,220,711
(Increase)/decrease in insurance debtors	<b>(5,105,239)</b>	4,682,797
Decrease in claims recoverable from reinsurers	<b>4,693,944</b>	1,268,507
Decrease in other debtors and prepayments	<b>632,433</b>	9,787,006
(Increase)/decrease in listed trading securities	<b>(534,878)</b>	8,363,608
Increase/(decrease) in unearned premiums	<b>4,676,438</b>	(4,653,442)
Increase/(decrease) in unexpired risks	<b>2,167,000</b>	(47,000)
Decrease in outstanding claims reserve	<b>(8,063,838)</b>	(7,131,700)
Increase/(decrease) in insurance liabilities	<b>3,158,343</b>	(2,079,207)
(Decrease)/increase in other creditors and accruals	<b>(29,503,969)</b>	14,086,708
Exchange difference	<b>(118,551)</b>	7,244
Net cash (outflow)/inflow generated from operations	<b>(63,995,082)</b>	19,800,717



## Notes to the Accounts

### 30. RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the accounts, significant related party transactions which were carried out in the normal course of the Group's business are as follows:

- (a) Gross insurance premium less commission paid totalling HK\$3,874,315 (2003: HK\$4,686,479) was derived from business referred to a subsidiary by a jointly controlled entity during the year. Those insurance policies underwritten by the Group were contracted at prices and terms not less favourable than those contracted with other third party customers of the Group.
- (b) An amount of HK\$1,880,000 (2003: HK\$1,880,000) was paid to Vigour Fine Company Limited, a substantial shareholder of the Company, for the provision of certain management services which include the provision of directors to the board of directors of the Company pursuant to a management agreement.
- (c) In 2003, the Group together with a subsidiary of one of its substantial shareholders entered into an agreement with a third party to dispose of a building in which certain floors were held by the Group as investment properties. The Group paid a fee of HK\$400,000 to a jointly controlled entity for advice and agency services received in the negotiation of this transaction.

### 31. POST BALANCE SHEET DATE EVENTS

On 2nd March 2005, the Company entered into a supplemental agreement with the liquidation team of Fujian International Trust & Investment Corporation (the "Vendor") to adjust the purchase consideration for the acquisition of 108,000,000 unlisted ordinary domestic shares of Huaneng Power International, Inc. ("Huaneng") (the "Asset") from the Vendor (*note 27(c)*).

Pursuant to the supplemental agreement, the pre-determined purchase consideration of RMB358.56 million (equivalent to approximately HK\$338.94 million) was increased to RMB373.90 million (equivalent to approximately to HK\$353.43 million) whilst other terms of the original agreement, including the adjustment for the net asset appreciation of the Asset (as defined in the Agreement), remained unchanged.

The State-owned Assets Supervision and Administration Commission has granted the approval of the acquisition based on the revised consideration as stated in the supplemental agreement.

The supplemental agreement was approved by the independent shareholders of the Company at an extraordinary general meeting held on 18th April 2005.

The completion of the transaction is subject to the provision by the Vendor (or the successor/transferee of the Asset (if any) as defined in the Agreement) of all certified true copies of all the necessary approvals required by the People's Republic of China and Hong Kong (where applicable) laws and regulations for effecting the transaction.

## Notes to the Accounts

### 31. POST BALANCE SHEET DATE EVENTS (Continued)

As at the date of this report, based on the published financial information of Huaneng for the year ended 31st December 2004, the Company estimates that an additional sum of approximately RMB21 million (equivalent to approximately HK\$19.9 million), representing the adjustment for the net asset appreciation of the Asset for the financial year 2004 calculated under the Agreement, will be payable by the Company for the acquisition. The total consideration payable under the net asset appreciation adjustment clause will be subject to, inter alia, the date of actual payment of the purchase consideration of RMB373.90 million and the prospective financial results of Huaneng for the year ending 31st December 2005 and thereafter (if applicable).

### 32. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 26th April 2005.