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BOARD OF DIRECTORS

Executive Directors

WANG Jun (*Chairman*)
HE Ping (*Vice-Chairman*)
LI Shi Liang (*Managing Director*)
XIE Da Tong
LI Tong Zhou

Independent Non-Executive Directors

YAO Kang, J.P.*
IP Chun Chung, Robert *
LAM Tak Shing*

** members of the Audit Committee*

COMPANY SECRETARY

HO Kwok Pang, George

REGISTERED OFFICE

Room 2503, Admiralty Centre, Tower 1
18 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
BNP Paribas
Liu Chong Hing Bank Limited
CITIC Ka Wah Bank Limited

PRINCIPAL LEGAL ADVISER

Siao, Wen and Leung

AUDITORS

Deloitte Touche Tohmatsu

SHARE REGISTRARS AND TRANSFER OFFICE

Central Registration Hong Kong Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

<http://www.cmic.com.hk>

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Continental Mariner Investment Company Limited (the "Company") will be held at Marriott Function Room (Level 3) — Queensway & Victoria, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 23rd May, 2002 at 11:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st December, 2001.
2. To elect directors and to authorise the board of directors to fix their remuneration.
3. To appoint auditors and to authorise the board of directors to fix their remuneration.
4. To consider as special business and, if thought fit, pass with or without amendments the following resolutions as Ordinary Resolutions:

(A) **"THAT:**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to a Rights Issue (as hereinafter defined) or the exercise of any option under the Share Option Scheme of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

- (d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or by any applicable laws to be held; and
- (iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong).”

- (B) **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its own shares of HK\$0.50 each (the “Shares”), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the Shares to be purchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and

NOTICE OF ANNUAL GENERAL MEETING

(c) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or by any applicable laws to be held; and
- (iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

(C) “**THAT** conditional upon the Resolutions numbered 4(A) and 4(B) respectively set out in the notice convening this meeting being passed, the general mandate granted to the directors of the Company to allot, issue and deal with additional shares pursuant to the Resolution numbered 4(A) be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company purchased by the Company under the authority granted pursuant to the Resolution numbered 4(B), provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution.”

By Order of the Board
HO Kwok Pang, George
Company Secretary

Hong Kong, 18th April, 2002

NOTICE OF ANNUAL GENERAL MEETING

Notes:

- (1) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- (2) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the office of the Company's share registrars, Central Registration Hong Kong Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- (3) An explanatory statement containing further details regarding the above Resolutions numbered 4(A) to 4(C) was sent to the shareholders together with this Annual Report.

During 2001, the Hong Kong economy witnessed slow growth as a result of the negative impact from the downturn of the U.S. and global economies. But the economy of the PRC, where the majority of the Group's investments were based, recorded sustained high and rapid growth during the year. It is envisaged that PRC's successful entry into the World Trade Organisation will further bring about tremendous business opportunities in the years ahead.

During the year under review, the Group implemented effective rationalization of its capital structure and its mode of business operations and recorded notable results. Turnover of the Group amounted to HK\$341,976,000, with a 35% growth when compared with the corresponding period (adjusted on a pro-rata basis) last year. The loss for the year was HK\$14,825,000 which was mainly attributable to a total of HK\$22,643,000 impairment loss of a dry bulk carrier, M.V. Jin Feng. Other principal businesses were on steady growth, thus contributed to a gradual increase of earnings to the Group.

In terms of the geographical spread of its business operations, the Group strived to shift its focus from Hong Kong and its neighbouring regions to the PRC. As a result, the proportion of PRC based businesses went up from 34.4% to 59.5%. The Group is expected to reap huge benefits from its active participation in the PRC's booming economic activities as a result of her rapidly expanding economy.



Mr. HE Ping
Vice-Chairman

In terms of business activities, the most significant change involved the decline in investments in the shipping sector. The turnover of this sector fell from 29.1% last period to 20.7%. On the other hand, manufacturing and thermal power plants businesses recorded significant growth in turnover, accounting for 17.1% and 10.7% respectively of the total turnover of the Group. Other principal activities such as property investments, hotel and financial services remained relatively stable in terms of their contributions to total turnover, at 22.1%, 15.1% and 14.3% respectively. This bears witness to the Group's successful shift in focus from under-performing industries to businesses that can generate stable and commendable returns to shareholders.

During the second half of 2001, the Group entered into an agreement with its Australian joint venture partner, Queensland Power Trading Corporation to acquire the remaining 50% of the entire issued shared capital of NCHK Power (Shengzhou) Limited ("NCHK") which increased the Group's shareholding in NCHK to 100% for a total consideration of US\$2,200,000, which is at approximately 25% discount to its book value. As a result, the Group now owns 100% of the entire



Mr. WANG Jun
Chairman

CHAIRMAN'S STATEMENT

issued share capital of NCHK which indirectly owns 52% of the issued share capital of Shengzhou Xinzonggang Thermal Power Co., Ltd. ("Shengzhou Thermal Power") which is located in Zhejiang province. After obtaining control of the Shengzhou Thermal Power, the Group have since deployed management personnel in supervising its operational management. The successful acquisition of the controlling interest in Shengzhou Thermal Power will not only provide a steady and relatively stable high cash yield to the Group but will also pave the way for the Group in furthering its infrastructural investments.

Beijing Polystar Digidisc Co. ("Polystar") was acquired by the Group in 2001 and have since recorded a steady expansion of its production capacity and raised its sales turnover. During the year under review, Polystar's production capacity accounted for 9.4% of the total production capacity of that of the city of Beijing whereas Polystar's actual production volume for 2001 accounted for 16.7% of that of Beijing's and significant profits were recorded.

It is envisaged that the economy of the PRC will sustain its high growth rate, and will become a stabling force and drive engine for the Asia-Pacific region. The PRC's entry into the World Trade Organisation will make her markets more accessible to the world and her investment environment and her economic systems will be gradually integrated with conventional standards of the international community. Furthermore, the PRC government will continue to exercise due care over its monetary policy and will implement measures that will further stimulate consumer spending and investments, in order to ensure that her GDP will hover at or above 7%. Under these positive circumstances, the Group will continue to exercise its advantages and further develop its "China Concept" investment strategy with the blessings and support from the Group's parent controlling company, China Poly Group Corporation. The Group will actively pursue investment opportunities and explore investments projects with high growth potential and stable return to equity. At the same time, the Group will further enhance the operational management of its existing projects and strives to increase their economic benefits.

The Group will complete its business and asset restructuring exercise in the near future. The Group will add further weight to its investments in three core areas namely properties investments, infrastructural investments and culture/mass media. On completion of its business and asset restructuring exercise, coupled with further investments in the three above-mentioned core areas will further enlarge the Group's earnings base and achieve desirable returns for shareholders.

Last but not least, on behalf of the board of directors, we would like to express our gratitude for the support of our shareholders and the dedication and effort of our staff members

BUSINESS REVIEW

For the year ended 31st December 2001, the turnover of the Company and its subsidiaries (the "Group") amounted to HK\$341,976,000, representing an increase of 35% as compared with the previous period (adjusted on a pro-rata basis). The increase in turnover was due to the consolidation of the turnover from power plant projects and DVDs manufacturing. The loss for the year was HK\$14,825,000. This was mainly due to an impairment loss of HK\$22,643,000 on a dry bulk carrier, M.V. Jin Feng, which had been in service for more than 18 years.

During the financial year under review, Hong Kong's economy remained sluggish under the negative effect of the global economy. The situation was further aggravated by the September 11th incident. Nevertheless, the economy of the People's Republic of China (the "PRC") stood out among its Asian peers by maintaining a 7% growth rate. With the admission of the PRC to the World Trade Organisation at the end of 2001 and an expectation of a gradual recovery in the US economy in the latter half of 2002, the Group is cautiously optimistic about the economic prospects of Hong Kong in the current year.

Property Development and Investments

As the PRC economy will sustain its high growth, investments in strategically located properties with designated functions will be able to generate sound and stable returns. The Group's investments in property projects in the PRC are mainly located in Beijing and Shanghai, being densely populated major cities.

Shanghai Stock Exchange Building

The Group owns 6 floors occupying a total floor area of 13,848 square metres of the Shanghai Stock Exchange Building located in Lujiazui, Pudong, Shanghai (the "Property"). As at the end of 2001, the Property was fully leased out. The annual rental income for the financial year under review was HK\$10,108,000, providing an annual rental yield of approximately 3.3%. As compared with the last period, there was an increase of 77% in the rental income in 2001.

Shanghai Stock Exchange Building, where the Shanghai Stock Exchange is situated, is not merely a property investment project or a commercial office building, but serves as the nerve centre of securities trading in the PRC. The building is expected to have a substantial inherent appreciation potential and encouraging market prospects.

In 2002, approximately one third of the Property's tenancies will be up for renewal. With a steady rise in the rental level of grade A offices in Pudong, it is expected that the Property can generate better investment yield in 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Poly Plaza

The Group owns 75% equity interests in Poly Plaza Limited, whose major asset is Poly Plaza. The building is built on a site area of 19,088 square metres in Dong Er Huan Lu, Beijing (The Second East Ring Road), and has a total gross floor area of 94,649 square metres. The construction work commenced in 1985 and was completed in 1991. Poly Plaza is a comprehensive development comprising a grade A office tower, a four-star ranking hotel tower, a theatre and other ancillary facilities. At the end of 2001, the office tower achieved an occupancy rate of 97%, which is higher than the average occupancy rate of 92% for grade A offices in Beijing. Besides, the theatre had a usage rate of 100%, whereas that of the hotel tower (including catering and conference facilities) was 94%, which is higher than the average occupancy rate of 85% for the other 54 four-star or higher ranking hotels in Beijing.

Although the PRC was admitted as a member of the World Trade Organization at the end of 2001, it is unlikely that the demand for grade A offices in the PRC will substantially increase in the near future. In anticipation of an increase in supply of grade A offices in Beijing in 2002, the rental income of Poly Plaza are expected to be under pressure and the vacancy rate may rise in the year.

Currently, there are 54 four-star or higher ranking hotels in Beijing. With the hosting of the 2008 Olympic Games, it is anticipated that the number of star-ranking hotels in the city will increase substantially and competition in the hotel industry will become more intense in the future.

The gross profit of Poly Plaza for 2001 was RMB47,005,000, with a 12.7% annual gross profit return on investment.

Beijing Legend Garden Villas

Beijing Legend Garden Villas is a large-scale up market European villa development at the neighbourhood of Beijing's Capital Airport. The property was completed in 1992, occupying an area of 166,843 square metres. The Group owns 20 houses and 37 apartments in the project.

In 2001, there were 14 new projects, with a gross floor area of over 420,000 square metres, completed in the vicinity of Beijing Legend Garden Villas. As such, the villas suffered from a decrease in rentals and its occupancy rate as at 31st December 2001 was 37%. Since Beijing Legend Garden Villas was completed in 1992 and has been in use for ten years, its furnishings

and facilities are relatively dated as compared with the new neighbouring developments. On the other hand, since its location is quite remote from the city centre, its cost of living is relatively higher. All these factors contribute to weaken the market competitiveness of Beijing Legend Garden Villas. The Group will consider the disposal of the apartment units when suitable opportunity arises.

Power Plant Projects

During the financial year under review, the equity interests held by the Group in Shengzhou Xinzhonggang Thermal Power Co., Ltd. ("Shengzhou Power") was increased from 26% to 52%. This was due to the acquisition by the Group of the 26% beneficial equity interests in Shengzhou Power from an Australian power company in October 2001. Shengzhou Power owns and operates a 28.5 megawatt cogeneration power plant, and its total assets amounted to approximately RMB209,825,000. For the year ended 31st December 2001, Shengzhou Power realized a net profit of RMB5,088,000.

The Group also holds 51% equity interests in Taicang Xinhaikang Xiexin Thermal Power Co., Ltd. ("Taicang Power"), a cogeneration power plant with a total capacity of 30 megawatt. The total assets of Taicang Power amounted to approximately RMB282,627,000. For the year ended 31st December 2001, Taicang Power realized a profit before the transfer to three PRC statutory reserves of RMB4,774,000.

Shipping

Owing to the global economic downturn, the dry bulk carriers market hit a new trough in 2001. The Baltic Freight Index, an index for dry bulk carrier chartering, fell by 723 points (45.2%) from the beginning of 2001 to 876 at the end of the year. For the financial year under review, the shipping business of the Group recorded a profit before the impairment loss for deficit on revaluation of approximately HK\$5,769,000.

At 31st December, 2001, the Group owns 3 bulk carriers, with a total dead weight of 180,000 MT. In order to lower the average carrier age of the fleet, the Group entered into a memorandum of agreement with a third party buyer in March 2002 in respect of the sale of M.V. Jin Feng, which had been in service for 18 years, for a consideration of HK\$35,685,000. An impairment loss of HK\$22,643,000 on M.V. Jin Feng was accordingly provided in the accounts for the financial year under review. After the disposal, the shipping business will account for a smaller portion among the investments of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Polystar Digidisc Co., Ltd. (“Polystar”)

The Group owns 66% equity interests in Polystar. For the year ended 31st December 2001, Polystar recorded a profit of RMB8,994,000, of which RMB5,936,000 was attributable to the Group.

Currently, Polystar has two CD production lines and two DVD production lines. The DVD production lines are capable of manufacturing high quality DVD-9s. Polystar’s niche is focused on the high-end market. At present, it has already established cooperative relationship with internationally-renowned manufacturers such as IBM, Acer, Hewlett Packard and Legend and it manufactured digital disks for the above-mentioned clients. In 2002, the Group will consider the possibility of expanding the production capacity of Polystar and will undertake feasibility studies on setting up new production lines for DVD-9s and master stampers.

The Operation of New Satellite TV Cartoon Channel (“New Cartoon Channel”)

The operation of the New Cartoon Channel is a strategic move of the Group in exploring the cultural/mass media industries in the PRC. The New Cartoon Channel has completed preparatory work for its production base in the PRC and broadcasted television programs in the Asia Pacific region via satellite. The New Cartoon Channel will produce its own featured productions in 2002 in an attempt to enhance the degree of specialty, entertainment and trendiness of its programs; with a view to enriching the broadcasting contents of the channel. Subject to approval being obtained from the relevant Chinese government authorities in 2002, the New Cartoon Channel will be allowed to broadcast cartoon entertainment programs into authorised areas and channels in the PRC.

Value-added software business

The Group acquired 25% equity interests in Skywin China Ltd. (“Skywin”) for a consideration of approximately HK\$75,000,000 at the end of December 2001. Skywin is primarily engaged in the provision of value-added services, such as application software systems development, systems integration and technical maintenance to the tele-communications sector in Guangdong province.

By the end of December 2001, Skywin has developed a number of business operations systems, business support systems, monitoring systems and management systems for China Mobile, China Telecom, several commercial banks and the civil aviation administration authorities in Guangdong. It is believed that the acquisition of Skywin will generate sound investment returns for the Group and will have capital appreciation potential.

Insurance

The Company and Winterthur Swiss Insurance Company is respectively holding 48% and 52% equity interests in Winterthur Insurance (Asia) Limited ("Winterthur Asia"), a company incorporated in Hong Kong principally engaged in the non-life insurance business in Shanghai through its Shanghai branch.

Winterthur Asia recorded a turnover of approximately HK\$49,000,000 and a loss of approximately HK\$2,600,000 for the financial year under review. With the accession of the PRC to the World Trade Organisation, the PRC's insurance market is on the road to deregulation. The Company managed to stay ahead of competition by forming a strategic alliance with a leading international insurance player. The combined competitive edges of the Group and Winterthur Swiss Insurance Company will help the Group to manoeuvre for position in the insurance market of the PRC which is expected to have substantial market potential.

Strategic Investments

As at 31st December, 2001, the Group owned approximately 46% shareholding in Poly Investments Holdings Limited ("Poly"). The principal activities of Poly are engaged in the manufacturing and trading of chemical fibres, property investments, securities investments and financial services. During the year under review, Poly recorded a loss for the year amounting to HK\$26,070,000.

LIQUIDITY AND CAPITAL STRUCTURE

As at 31st December 2001, the shareholders' funds of the Group amounted to HK2,215,000,000 (31st December 2000: HK\$2,223,000,000), while the net asset value per share was HK\$2.73 (31st December 2000: HK\$2.71). As at 31st December 2001, the Group's gearing ratio (on the basis of the amount of total liabilities less bank balances divided by shareholders' funds) was 31.7% (31st December 2000: 16%).

As at 31st December 2001, the Group had outstanding bank loans of HK\$352,779,000. In terms of maturity, the outstanding bank loans can be divided into HK\$162,042,000 (46%) to be repaid within one year, HK\$149,436,000 (42%) to be repaid after one year but within two years, HK\$41,301,000 (12%) to be repaid after two years but within five years. In terms of currency denomination, the outstanding bank loans can be divided into HK\$232,230,000 (66%) in Renminbi and HK\$120,549,000 (34%) in US dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

About two third of the bank borrowings of the Group are subject to fixed interest rates and the remaining one third are subject to floating interest rates. Therefore, under circumstances of interest rates uncertainty or fluctuations or otherwise as appropriate, the Group will consider the use of hedging instruments (including interest rates swaps), in order to manage interest rate risks.

As at 31st December 2001, the Group had working capital of HK\$61,000,000 and bank balances of HK\$187,000,000 (31st December 2000: HK\$215,000,000 and HK\$369,000,000 respectively). In view of the Group's current cash balances, available banking facilities and cash revenue from business operations, it is believed that the Group has sufficient resources to meet the foreseeable working capital demands and capital expenditure.

The monetary assets and liabilities and business transactions of the Group are mainly carried out and conducted in Hong Kong dollars, Renminbi and US dollars. The Group maintains a prudent strategy towards its foreign exchange risk management, where foreign exchange risks are minimized via balancing the monetary assets versus monetary liabilities, and foreign exchange revenue versus foreign exchange expenditures. Besides, as the Hong Kong dollar is linked to the US dollar, and the exchange rate between Hong Kong dollar and Renminbi also fluctuates slightly, the Group believes that its exposure to foreign exchange risks is not material.

PLEDGE OF ASSETS

As at 31st December 2001, bank deposits amounting HK\$28,580,000 (31st December 2000: HK\$13,407,000), certain of the Group's investment properties of approximately HK\$312,000,000 (31st December, 2000: HK\$301,725,000), other property interests and motor vessels with an aggregate net book value of approximately HK\$1,224,825,000 (31st December 2000:HK\$1,000,067,000) and shares in certain subsidiaries and an associate were pledged to secure credit facilities granted to the Group.

CONTINGENT LIABILITIES

At 31st December, 2001, the Company had given guarantees of approximately HK\$120 million (31st December, 2000: HK\$ 142 million) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

In addition, at 31st December, 2001, the Group had given a guarantee of approximately HK\$14.3 million (31st December, 2000: HK\$14.3 million) to a bank in respect of credit facilities granted to prospective purchasers of properties developed by a jointly controlled entity of the Group.

STAFF

As at 31st December, 2001, the Group employed about 1,000 staff with remuneration for the year amounting to approximately HK\$57,000,000. The Group provides its staff with various benefits including year-end double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

PROSPECTS

Facing the changing economic conditions, the Group will continue its prudent operating strategy. As for the existing operations, the Group will further strengthen its operation management and risk control, improve management quality and lower operating cost so as to perfect its corporate management. Meanwhile, the Group will continue to take a prudent approach towards new investment projects, which must meet with criteria including attractive return, stable income and low risks.

Executive Directors

WANG Jun, aged 61, has joined the Board since February 1993 and is the Chairman of the Company. He graduated from Harbin Engineering Institute in the People's Republic of China (the "PRC"). Mr. Wang is the Chairman of China International Trust and Investment Corporation ("CITIC") and China International Trust and Investment Corporation Hong Kong (Holdings) Limited. He is also the Chairman of Poly Investments Holdings Limited ("Poly").

HE Ping, aged 56, has joined the Board since February 1993 and is the Vice-Chairman of the Company. He graduated from Harbin Engineering Institute in the PRC and had previously worked for the Embassy of the PRC to the United States of America. Mr. He is currently a Vice-Chairman and the President of China Poly Group Corporation ("China Poly"). He is also the Vice-Chairman of Poly.

XIE Da Tong, aged 59, has joined the Board since February 1993 of the Company. He is a senior economist, and graduated from Beijing Foreign Trade Institute in the PRC. Prior to joining Poly Technologies, Inc., a wholly owned subsidiary of China Poly, in 1984, he had worked for the Foreign Trade Ministry of China and Business Trade Section of the Embassy of the PRC to the United Kingdom, Canada and the Netherlands respectively. Mr. Xie is currently a director and the Executive Vice-President of China Poly and an executive director of Poly. He is also a director of Yu Ming Investments Limited ("Yu Ming").

LI Shi Liang, aged 56, has joined the Board since December 1999 and is a Managing Director of the Company. Mr. Li is a senior economist. Immediately prior to joining the Company, he had worked for Bank of China for 34 years. During that period, Mr. Li was the Manager of Bank of China, New York Branch for 5 years and had been the Deputy General Manager of Bank of China, Guangdong Province Branch since 1992. Mr. Li is a director of Ringo Trading Limited, a controlling shareholder of the Company. He is also currently the Managing Director of Poly and a director of Yu Ming.

LI Tong Zhou, aged 62, has joined the Board since September 1998. He is the chief of the General Planning Department of CITIC and an executive director of CITIC's wholly owned subsidiary, Shortridge Limited. Mr. Li is a director of Source Holdings Limited, a substantial shareholder of the Company. Mr. Li is also an executive director of Poly and a non-executive director of Asia Satellite Telecommunications Holdings Limited.

Independent Non-Executive Directors

YAO Kang, J.P., aged 77, has joined the Board since March 1999 and is the Chairman of the Audit Committee of the Company. Mr. Yao is currently a director of Hsin Chong Construction Group Limited and Sing Tao Holdings Limited. He is also the Chairman of Thomas Melvin Laffin Charitable Foundation Ltd.

Robert IP Chun Chung, aged 45, has joined the Board since January, 2001 and is a member of the Audit Committee of the Company. Mr. Ip is a practising solicitor. He is also an independent non-executive director of Poly and Sen Hong Resources (Holdings) Limited.

LAM Tak Shing, aged 41, has joined the Board since January, 2001 and is a member of the Audit Committee of the Company. Mr. Lam holds a Bachelor's Degree and a Master's Degree in Business Administration. Mr. Lam has over 21 years' experience in accounting and finance field with wide exposure in different nature of business. Mr. Lam is a Director of Asia Resources Transportation Holdings Limited, independent non-executive director of Poly, Star East Holdings Limited and New Rank City Development Limited.

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 44, 18 and 19 to the financial statements, respectively.

RESULTS

The results of the Group for the year ended 31st December, 2001 are set out in the consolidated income statement on page 28 of the annual report.

The directors do not recommend the payment of any dividend.

SHARE CAPITAL

During the year, the Company repurchased certain of its own shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and these shares were subsequently cancelled by the Company, details of which are set out in note 26 to the financial statements. The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

Details of these and other movements in the share capital of the Company are set out in note 26 to the financial statements.

INVESTMENT PROPERTIES AND HOTEL PROPERTIES

At 31st December, 2001, the investment properties and hotel properties of the Group were revalued by an independent firm of professional property valuers on an open market value basis at HK\$775,200,000 and HK\$608,400,000 respectively. The surplus of HK\$2,375,000 arising on the revaluation of investment properties has been credited to the consolidated income statement. The surplus arising on revaluation of hotel properties amounted to HK\$20,423,000, of which HK\$9,660,000 (net of minority interests of HK\$3,220,000) and HK\$7,543,000 have been credited to the hotel properties revaluation reserve and the consolidated income statement respectively.

INVESTMENT PROPERTIES AND HOTEL PROPERTIES *(Continued)*

Particulars of investment properties and hotel properties of the Group at 31st December, 2001 are set out in notes 12 and 13 to the financial statements, respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in property, plant and equipment of the Group are set out in note 14 to the financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

WANG Jun (*Chairman*)

HE Ping (*Vice-Chairman*)

LI Shi Liang (*Managing Director*)

XIE Da Tong

LI Tong Zhou

JI Jun (resigned on 31st May, 2001)

Independent non-executive directors:

YAO Kang, J.P.

IP Chun Chung, Robert (appointed on 10th January, 2001)

LAM Tak Shing (appointed on 10th January, 2001)

LIU Lit Chi (resigned on 10th April, 2001)

In accordance with Articles 99 & 116 of the Company's Articles of Association, Messrs. Li Shi Liang, Xie Da Tong and Yao Kang, J.P. will retire and, being eligible, offer themselves for re-election.

The term of office of each of the non-executive directors lasts until his retirement by rotation as required by the Company's Articles of Association.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS *(Continued)*

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

SHARE OPTIONS

The Company's share option scheme (the "CMIC Scheme") was adopted on 16th June, 1993 for the primary purpose of providing incentives to directors and eligible employees and will expire on 15th June, 2003. Under the CMIC Scheme, the Company may grant options to the directors and the employees of the Company or its subsidiaries to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted. Options proposed to be granted should be accepted within 30 days from the date of offer. The granted options are exercisable during the period commencing on the date one year after the date of grant and expiring on the date four years after the date of grant or such other date as may be determined by the board of directors, which shall not be more than ten years after the date of grant. The maximum number of shares in respect of which options may be granted shall not exceed 10% of the issued share capital of the Company from time to time excluding the aggregate number of shares already allotted and issued pursuant to the CMIC Scheme.

The exercise price is determined by the directors of the Company, and shall not be less than the higher of the nominal value of the Company's shares on the date of grant, and 80% of the average closing price of the shares for the five business days immediately preceding the date of offer.

At 31st December, 2001, the outstanding number of shares in respect of which options had been granted under the CMIC Scheme was 74,405,000, representing 9.2% of the shares of the Company in issue at that date. Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the CMIC Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time.

SHARE OPTIONS (Continued)

The following table discloses movements in the Company's share options during the year:

	Date of grant	Exercise price per share HK\$	Number of shares subject to CMIC Scheme		
			Outstanding at 1.1.2001	Lapsed during the year	Outstanding at 31.12.2001
Category 1: Directors					
Wang Jun	3.9.1997	5.175	6,000,000	—	6,000,000
	5.6.1998	1.37	4,500,000	—	4,500,000
	30.11.2000	0.74	5,000,000	—	5,000,000
He Ping	3.9.1997	5.175	6,000,000	—	6,000,000
	5.6.1998	1.37	4,500,000	—	4,500,000
	30.11.2000	0.74	5,000,000	—	5,000,000
Li Shi Liang	30.11.2000	0.74	5,000,000	—	5,000,000
Xie Da Tong	3.9.1997	5.175	4,800,000	—	4,800,000
	5.6.1998	1.37	3,000,000	—	3,000,000
	30.11.2000	0.74	4,000,000	—	4,000,000
Ji Jun (Note)	3.9.1997	5.175	3,600,000	—	3,600,000
	5.6.1998	1.37	2,000,000	—	2,000,000
	30.11.2000	0.74	3,000,000	—	3,000,000
			<u>56,400,000</u>	<u>—</u>	<u>56,400,000</u>
<i>Note: Mr. Ji Jun resigned as a director of the Company with effect from 31st May, 2001 but he remains as a director of certain subsidiaries of the Company.</i>					
Category 2: Employees					
	3.9.1997	5.175	11,760,000	(960,000)	10,800,000
	5.6.1998	1.37	3,000,000	—	3,000,000
	30.11.2000	0.74	4,935,000	(730,000)	4,205,000
			<u>19,695,000</u>	<u>(1,690,000)</u>	<u>18,005,000</u>
Total			<u><u>76,095,000</u></u>	<u><u>(1,690,000)</u></u>	<u><u>74,405,000</u></u>

SHARE OPTIONS (Continued)

Save as disclosed above, at no time during the year was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors, or their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

DIRECTORS' INTERESTS IN SECURITIES

At 31st December, 2001, Poly Investments Holdings Limited ("Poly"), an associate of CMIC, had granted options in Poly (the "Poly Options"), to certain directors to subscribe for shares in Poly (the "Poly Shares") according to the previous share option scheme of Poly adopted on 5th December, 1990 and expired on 4th December, 2000 as follows:

	Date of grant	Exercise price per Poly Share <i>HK\$</i>	Number of Poly Shares subject to Poly Options
Wang Jun	3.9.1997	1.27	10,000,000
	5.6.1998	0.50	10,000,000
	30.11.2000	0.50	7,000,000
He Ping	3.9.1997	1.27	10,000,000
	5.6.1998	0.50	10,000,000
	30.11.2000	0.50	7,000,000
Li Shi Liang	30.11.2000	0.50	8,400,000
Xie Da Tong	3.9.1997	1.27	8,000,000
	5.6.1998	0.50	8,000,000
	30.11.2000	0.50	5,500,000

DIRECTORS' INTERESTS IN SECURITIES *(Continued)*

Options granted are exercisable during the period commencing on the date of grant and expiring on the date ten years after the date of grant.

Save as disclosed above and in the section headed "Share Options", as at 31st December, 2001, none of the directors, chief executive or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of interests) Ordinance (the "SDI Ordinance") which is required to be recorded in the register maintained under Section 29 of the SDI Ordinance or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SUBSTANTIAL SHAREHOLDERS

At 31st December, 2001, according to the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance, the following persons were interested in 10% or more of the issued share capital of the Company:

Name of shareholder	Number of ordinary shares beneficially held
Congratulations Company Ltd.	169,745,000
Source Holdings Limited <i>(Note 1)</i>	328,485,560
Ting Shing Holdings Limited <i>(Note 2)</i>	498,230,560
Ringo Trading Limited <i>(Note 3)</i>	537,678,036
China Poly Group Corporation <i>(Note 4)</i>	537,678,036

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Notes:

1. Source Holdings Limited is deemed by the SDI Ordinance to be interested in 328,485,560 shares of the Company as a result of its direct holding of the shares and indirect holdings of the shares through its wholly-owned subsidiaries.
2. Ting Shing Holdings Limited is deemed by the SDI Ordinance to be interested in 498,230,560 shares as a result of its indirect holding of the shares through its subsidiaries, representing Source Holdings Limited and Congratulations Company Ltd.
3. Ringo Trading Limited is deemed by the SDI Ordinance to be interested in 537,678,036 shares as a result of its direct holding of the shares and indirect holding of the shares through its wholly-owned subsidiary, Ting Shing Holdings Limited.
4. China Poly Group Corporation owns 100% of Ringo Trading Limited and is accordingly deemed by the SDI Ordinance to be interested in the shares directly and indirectly owned by Ringo Trading Limited.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company at 31st December, 2001.

CONNECTED TRANSACTIONS

Details of the discloseable connected transactions for the year are set out in note 43 to the financial statements. In the opinion of the directors who do not have any interest in the above transactions, the above transactions were carried out on normal commercial terms and in the ordinary and usual course of business of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts of significance to which the Company or any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, both the aggregate sales attributable to the Group's five largest customers and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's sales and purchases respectively.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year ended 31st December, 2001 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDITORS

A resolution will be submitted at the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

LI Shi Liang

Managing Director

Hong Kong, 18th April, 2002

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

TO THE SHAREHOLDERS OF
CONTINENTAL MARINER INVESTMENT COMPANY LIMITED

新海康航業投資有限公司

(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 28 to 87 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2001 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Deloitte Touche Tohmatsu

Hong Kong, 18th April, 2002

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2001

	Notes	1.1.2001 to 31.12.2001 HK\$'000	1.4.2000 to 31.12.2000 HK\$'000
Turnover	4	341,976	188,693
Cost of sales		(158,766)	(81,167)
Gross profit		183,210	107,526
Other revenue		4,029	1,080
Administrative expenses		(132,218)	(75,193)
Amortisation of intangible assets		(5,748)	—
Amortisation of deferred licensing income		14,953	11,215
Impairment loss on property, plant and equipment	14	(22,643)	—
Surplus (deficit) arising on revaluation of investment properties		2,375	(26,949)
Surplus (deficit) arising on revaluation of hotel properties		7,543	(7,543)
Allowance for short-term loans receivable		(5,923)	(7,000)
Unrealised holding loss on other investments		(3,461)	(19,108)
Impairment loss on goodwill	28	(6,948)	—
Profit/(loss) from operations	5	35,169	(15,972)
Finance costs	8	(18,123)	(15,541)
Share of losses of associates		(11,695)	(7,783)
Share of losses of jointly controlled entities		(6,199)	(8,163)
Loss before taxation		(848)	(47,459)
Taxation	9	(1,919)	(1,692)
Loss before minority interests		(2,767)	(49,151)
Minority interests		(12,058)	(3,497)
Loss for the year/period		(14,825)	(52,648)
Dividends	10	—	16,705
Basic loss per share	11	(1.8) cents	(6.4) cents

CONSOLIDATED BALANCE SHEET

At 31st December, 2001

	Notes	2001 HK\$'000	2000 HK\$'000
Non-Current Assets			
Investment properties	12	775,200	772,825
Hotel properties	13	608,400	587,977
Property, plant and equipment	14	992,953	691,991
Intangible assets	15	12,948	5,580
Negative goodwill	17	(15,593)	—
Interest in associates	18	374,470	311,087
Interest in jointly controlled entities	19	47,654	106,343
Investments in securities	20	87,403	87,515
		2,883,435	2,563,318
Current Assets			
Stores		1,121	1,260
Inventories	21	14,843	7,574
Trade and other receivables	22	115,688	84,987
Short-term loans receivable	23	32,710	26,508
Amount due from an associate		—	94
Investments in securities	20	91,034	27,056
Pledged bank deposits		28,580	13,407
Bank balances, deposits and cash		187,245	369,550
		471,221	530,436
Current Liabilities			
Trade and other payables	24	241,983	171,637
Property rental deposits		3,474	7,454
Taxation		2,551	2,180
Bank borrowings — due within one year	25	162,042	133,833
		410,050	315,104
Net Current Assets		61,171	215,332
		2,944,606	2,778,650

CONSOLIDATED BALANCE SHEET

At 31st December, 2001

	Notes	2001 HK\$'000	2000 HK\$'000
Capital and Reserves			
Share capital	26	405,392	410,578
Reserves	28	1,809,282	1,812,257
		<u>2,214,674</u>	<u>2,222,835</u>
Minority interests		<u>250,961</u>	<u>130,892</u>
Non-Current Liabilities			
Bank borrowings — due after one year	25	190,737	120,549
Other borrowings	29	30,290	31,477
Loan from a fellow subsidiary	31	168,224	168,224
Deferred licencing income	32	89,720	104,673
		<u>478,971</u>	<u>424,923</u>
		<u>2,944,606</u>	<u>2,778,650</u>

The financial statements on pages 28 to 87 were approved and authorised for issue by the Board of Directors on 18th April 2002 and are signed on its behalf by:

HE Ping
Vice-Chairman

LI Shi Liang
Managing Director

BALANCE SHEET

At 31st December, 2001

	<i>Notes</i>	2001 HK\$'000	2000 <i>HK\$'000</i>
Non-Current Assets			
Interest in subsidiaries	16	2,037,554	1,962,638
Investment in an associate	18	77,060	78,102
		2,114,614	2,040,740
Current Assets			
Trade and other receivables		680	21,572
Amount due from an associate		—	94
Investment in securities	20	26,786	—
Bank balances, deposits and cash		42,893	111,812
		70,359	133,478
Current Liabilities			
Trade and other payables		2,700	1,630
Net Current Assets			
		67,659	131,848
		2,182,273	2,172,588
Capital and Reserves			
Share capital	26	405,392	410,578
Reserves	28	1,573,843	1,562,098
		1,979,235	1,972,676
Non-Current Liabilities			
Other borrowings	29	30,290	31,477
Amounts due to subsidiaries	30	172,748	168,435
		203,038	199,912
		2,182,273	2,172,588

HE Ping
Vice-Chairman

LI Shi Liang
Managing Director

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 31st December, 2001

	1.1.2001 to 31.12.2001 HK\$'000	1.4.2000 to 31.12.2000 HK\$'000
Surplus (deficit) arising on revaluation of hotel properties	9,660	(11,623)
Exchange difference arising on translation of overseas operations	(48)	—
Gain (loss) not recognised in the income statement	9,612	(11,623)
Loss for the year/period	<u>(14,825)</u>	<u>(52,648)</u>
Total recognised losses	(5,213)	(64,271)
Elimination against reserves of goodwill arising on acquisition of:		
— subsidiaries	—	(12,319)
— an associate	—	(4,364)
	<u>(5,213)</u>	<u>(80,954)</u>
Prior period adjustments arising from change in accounting policy (<i>note 2</i>)		
— increase in accumulated profits at 1st April, 2000		<u>16,705</u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2001

	Notes	1.1.2001 to 31.12.2001 HK\$'000	1.4.2000 to 31.12.2000 HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	33	45,137	11,350
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(18,123)	(15,541)
Dividend paid to minority shareholder of a subsidiary		(8,377)	—
Dividend paid		—	(16,705)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(26,500)	(32,246)
TAXATION			
PRC income tax paid		(2,712)	(767)
Hong Kong Profits Tax refunded (paid)		46	(2)
TAXATION PAID		(2,666)	(769)
INVESTING ACTIVITIES			
Investment in an associate		(76,227)	(78,102)
Purchase of property, plant and equipment		(54,548)	(38,814)
Increase in bank deposits with maturity over three months		(39,000)	—
Purchase of intangible assets		(13,116)	—
Increase in pledged bank deposits		(12,432)	(864)
Purchase of subsidiaries (net of cash and cash equivalents acquired)	34	(8,957)	(11,110)
Refund from the holding company of an associate		1,042	—
Proceeds from disposal of property, plant and equipment		308	36
Proceeds from disposal of investment in securities		112	56
Repayment (advance) to jointly controlled entities		7	(3,557)
Additions to investment properties		—	(18,678)
Purchase of investment securities		—	(18,000)
Additions to hotel properties		—	(4,372)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(202,811)	(173,405)
NET CASH OUTFLOW BEFORE FINANCING		(186,840)	(195,070)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2001

	Note	1.1.2001 to 31.12.2001 HK\$'000	1.4.2000 to 31.12.2000 HK\$'000
FINANCING	35		
Repayment of borrowings		(198,951)	(94,263)
Repurchase of shares		(9,896)	(16,680)
Borrowings raised		153,759	31,477
Contribution from minority shareholders		20,623	—
Shares issue expenses		—	(1,836)
Proceeds from issue of shares		—	208,500
NET CASH (OUTFLOW) INFLOW FROM FINANCING		(34,465)	127,198
DECREASE IN CASH AND CASH EQUIVALENTS		(221,305)	(67,872)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		369,550	437,422
CASH AND CASH EQUIVALENTS CARRIED FORWARD		148,245	369,550
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		93,965	103,586
Bank deposits with maturity within three months		54,280	265,964
		148,245	369,550

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the directors, the Company's ultimate holding company is China Poly Group Corporation ("China Poly"), a state-owned enterprise established in the People's Republic of China (the "PRC"). China Poly and its affiliated companies, other than members of the Group, are hereinafter collectively referred to as the China Poly Group.

The Company is an investment holding company. The subsidiaries are engaged in shipping, hotel operations, property investment and management, securities investment, financial services and general trading.

As the majority of the business of the Company and its subsidiaries (the "Group") is operated in the PRC where they are required by statute to adopt 31st December as the financial year end, the directors, during the previous financial period, decided to change the Company's financial year end to 31st December. Accordingly, the comparative amounts shown for the consolidated income statement, consolidated statement of recognized gains and losses, consolidated cash flows statement and related notes covered a nine-month period from 1st April, 2000 to 31st December, 2000 which may not be comparable with amounts shown for the current year. However, the directors believe that the change of the Company's financial year end to 31st December will facilitate the preparation of the Group's consolidated financial information for future accounting periods.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants. Adoption of these Standards has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised Standards have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior period have been restated in order to achieve a consistent presentation.

The adoption of these new and revised Standards has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) *Events after the Balance Sheet Date*, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment which increases the accumulated profits as at 1st April, 2000 by HK\$16,705,000.

Goodwill

In the current year, the Group has adopted SSAP 30 *Business Combinations* and has elected not to restate goodwill previously eliminated against reserves. Accordingly, goodwill arising on acquisitions prior to 1st January, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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, associates and jointly controlled entities acquired or disposed of during the year/period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or registered capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium paid on acquisition, less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the relevant jointly controlled entities. The Group's share of post-acquisition results of jointly controlled entities are included in the consolidated income statement.

When the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

3. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Other joint venture arrangements

Investments made by means of joint venture structures which do not result in the Group having joint control with the other venturers are accounted for as subsidiaries (where the Group controls the board of directors or equivalent governing body), associates (where the Group is in a position to exercise significant influence) or investments in securities (where the Group exercises neither control nor significant influence).

Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities or other investments.

Investment securities, which are securities held for an identified long term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year/period.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed while service revenue is recognised when services are provided.

Sales of investments in securities are recognised on a trade date basis.

Revenue from hotel operations and related services is recognised when the relevant services are provided.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Rental income, including rental invoiced in advance, from properties let under operating leases is recognised on a straight line basis over the period of the respective leases.

Licence fees for the exclusive right of managing certain of the Group's assets by a third party are recognised on a straight line basis over the period of the respective licence agreement.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Charterhire income is recognised on a straight line basis over the charterhire period.

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 independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment properties revaluation reserve unless the balance on this reserve is insufficient to cover a deficit on a portfolio basis, in which case the excess of the deficit over the balance on the investment properties revaluation reserve is charged to the income statement.

On disposal of investment properties, the balance on the investment properties revaluation reserve attributable to the properties disposed of is transferred to the income statement.

No depreciation is provided in respect of investment properties except where the unexpired term of the relevant lease is 20 years or less.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hotel properties

Hotel properties are interests in land and buildings and their integral fixed plant, and are stated at independent professional valuation at the balance sheet date. Changes in the value of hotel properties are dealt with as movements on the hotel properties revaluation reserve. Any surplus arising on revaluation of hotel properties is credited to the hotel properties revaluation reserve, except to the extent that it reverses a decrease in revaluation of the same hotel property previously recognised as an expense, when it is recognised as income. A decrease in net carrying amount arising on revaluation of hotel properties is charged to the income statement to the extent that it exceeds the balance, if any, on the hotel properties revaluation reserve relating to a previous revaluation of that hotel property.

The gain or loss arising from the disposal or retirement of a revalued hotel property is determined as the difference between the sale proceeds and the carrying amount of the hotel property and is recognised in the income statement.

On the subsequent sale or retirement of a revalued hotel property, the attributable surplus is transferred to accumulated profits. No depreciation or amortisation are provided on hotel properties held on land use rights of more than 20 years. It is the Group's practice to maintain the properties in a continual state of sound repair and maintenance, and accordingly, the directors consider that depreciation and amortisation are not necessary due to their high residual value. The related maintenance expenditure is dealt with in the income statement in the year of expenditure.

Property, plant and equipment

Property, plant and equipment other than construction in progress and hotel properties, are stated at cost or valuation less accumulated depreciation and amortisation and accumulated impairment losses .

Land and buildings which have been previously classified as investment properties are stated at their valuation immediately prior to transfer. No further valuation will be carried out on these land and buildings.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Construction in progress is stated at cost which includes all development expenditure and other direct costs attributable to such projects including borrowing costs capitalised. It is not depreciated or amortised until completion of construction. Costs of completed construction works are transferred to the appropriate categories of property, plant and equipment.

The cost of leasehold land is amortised over the period of the lease using the straight line method.

Depreciation of motor vessels is calculated at a rate sufficient to write off their cost less estimated scrap value over their remaining estimated useful lives on a straight line basis of 25 years from the date of their first registration.

Depreciation is provided to write off the cost or valuation of other assets over their estimated useful lives, using the straight line method, at the following rates per annum:

Buildings	2% - 18%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Plant and machinery	6% - 23%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that 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 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 year in which they are incurred.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

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 an impairment loss. 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. Impairment losses are 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 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 the relevant SSAP.

Intangible assets

Intangible assets are stated at cost less amortisation and any identified impairment loss. Amortisation is calculated to write off the cost of the intangible assets over their estimated useful lives, using the straight line method, up to a maximum period of eighteen months.

Stores

Stores which represent lubricants and bunkers on board are stated at cost.

Inventories

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

Retirement benefits scheme contributions

Contributions payable by the Group to its defined contribution retirement benefits scheme are charged to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

The charge for taxation is based on the results for the year/period as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

4. TURNOVER

Turnover represents the aggregate of the net amounts received and receivable from third parties, net of business tax payable in the PRC and is summarised as follows:

	1.1.2001	1.4.2000
	to	to
	31.12.2001	31.12.2000
	HK\$'000	HK\$'000
Vessel charterhire income	70,685	54,846
Rental income and property management	63,736	41,085
Sales of goods	54,272	—
Income from hotel operation	51,689	27,259
Sales of electricity and gas	36,619	—
Sales proceeds from disposal of other investments	26,014	24,396
Interest income from investments	17,062	28,474
Management fees	12,000	9,000
Dividend income	5,661	2,539
Shipment handling fees	4,238	1,094
	<hr/> 341,976 <hr/>	<hr/> 188,693 <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

5. PROFIT (LOSS) FROM OPERATIONS

	1.1.2001 to 31.12.2001 <i>HK\$'000</i>	1.4.2000 to 31.12.2000 <i>HK\$'000</i>
Profit (loss) from operations has been arrived at after charging:		
Staff costs		
— directors' emoluments	3,932	4,118
— other staff costs	51,119	28,689
— retirement benefits scheme contributions, net of forfeited contribution of HK\$748,000 (1.4.2000 to 31.12.2000: HK\$324,000)	<u>2,653</u>	<u>1,633</u>
	57,704	34,440
Auditors' remuneration	1,086	918
Depreciation and amortisation of property, plant and equipment	51,043	27,138
Loss on disposal of property, plant and equipment	1,403	3,365
Operating lease rentals in respect of land and buildings	3,705	130
and after crediting:		
Property rental income, net of outgoing of HK\$5,738,000 (1.4.2000 to 31.12.2000: HK\$5,928,000)	45,382	35,796
Release of negative goodwill to other revenue	<u>233</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

6. DIRECTORS' EMOLUMENTS

	1.1.2001 to 31.12.2001 <i>HK\$'000</i>	1.4.2000 to 31.12.2000 <i>HK\$'000</i>
Directors' fees:		
Executive	80	60
Independent non-executive	110	80
	190	140
Other emoluments of executive directors:		
Salaries and other benefits	3,538	3,772
Retirement benefits scheme contributions	204	206
	3,742	3,978
Total directors' emoluments	3,932	4,118

The emoluments of the directors were within the following bands:

	1.1.2001 to 31.12.2001 Number of directors	1.4.2000 to 31.12.2000 Number of directors
Nil to HK\$1,000,000	8	9
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	1

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

7. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals included three (1.4.2000 to 31.12.2000: three) executive directors of the Company, whose emoluments are included in note 6 above. The aggregate emoluments of the remaining two (1.4.2000 to 31.12.2000: two) highest paid individuals are as follows:

	1.1.2001 to 31.12.2001 HK\$'000	1.4.2000 to 31.12.2000 HK\$'000
Salaries and other benefits	1,957	1,653
Retirement benefits scheme contributions	86	74
	<u>2,043</u>	<u>1,727</u>

The emoluments of the two highest paid individuals were within the following bands:

	1.1.2001 to 31.12.2001 Number of employees	1.4.2000 to 31.12.2000 Number of employees
Nil to HK\$1,000,000	1	2
HK\$1,000,001 to HK\$1,500,000	1	—
	<u>1</u>	<u>—</u>

During the year/period, no emoluments were paid by the Group to the five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year/period.

8. FINANCE COSTS

	1.1.2001 to 31.12.2001 HK\$'000	1.4.2000 to 31.12.2000 HK\$'000
Interest on bank borrowings wholly repayable within five years	<u>18,123</u>	<u>15,541</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

9. TAXATION

	1.1.2001		
	to	1.4.2000	
	31.12.2001	to	31.12.2000
	HK\$'000	HK\$'000	HK\$'000
The charge comprises:			
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the year/period	3		19
PRC income tax	1,809		812
	<hr/>		<hr/>
	1,812		831
Share of taxation of an associate	107		861
	<hr/>		<hr/>
	1,919		1,692
	<hr/> <hr/>		<hr/> <hr/>

PRC income tax is calculated in accordance with the relevant laws and regulations in the PRC.

Details of unrecognised deferred tax assets are set out in note 37.

10. DIVIDENDS

During the period ended 31st December, 2000, a final dividend for the year ended 31st March, 2000 of HK\$0.02 per share, amounting to HK\$16,705,000 was paid.

No dividends have been proposed for the year ended 31st December, 2001 (period ended 31st December, 2000: nil).

11. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of HK\$14,825,000 (1.4.2000 to 31.12.2000: HK\$52,648,000) and on the weight average number of 815,632,916 shares (2000: 826,149,334 shares) in issue during the year.

No diluted loss per share has been presented because the exercise of the Company's outstanding share options would reduce the loss per share for the year/period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

12. INVESTMENT PROPERTIES

HK\$'000

THE GROUP

VALUATION

At 1st January, 2001	772,825
Surplus arising on revaluation	<u>2,375</u>
At 31st December, 2001	<u><u>775,200</u></u>

The investment properties of the Group were revalued at 31st December, 2001 on an open market value existing use basis by AA Property Services Limited, an independent firm of professional property valuers. The surplus arising on revaluation has been credited to the consolidated income statement.

The carrying value of investment properties comprises:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Properties held under		
— long leases in Hong Kong	42,000	46,000
— long-term land use rights in the PRC (Note (i))	312,000	301,725
— medium-term land use rights in the PRC (Note (ii))	<u>421,200</u>	<u>425,100</u>
	<u><u>775,200</u></u>	<u><u>772,825</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

12. INVESTMENT PROPERTIES (Continued)

Notes:

- (i) The hotel properties and certain investment properties and other buildings with an aggregate net book value of approximately HK\$981.7 million (2000: HK\$960.2 million) comprise the Poly Plaza held by the Group in the PRC. The land on which Poly Plaza is situated is state-owned and the Group has been granted the right to use the land for a term of 17 years expiring 2003 at no cost. Pursuant to a deed dated 11th June, 1997 entered into between the Group and China Poly Group, China Poly Group has guaranteed the successful application for the extension of the joint venture term of the Company's subsidiary Poly Plaza Limited ("PPL"), and the land use right of Poly Plaza up to the year 2053 on the same terms and at the payment of all premium, charges and fees for such extension by China Poly Group. China Poly Group further undertakes that if the joint venture term or the land use right is not so extended, the Group will have a put option exercisable before 31st March, 2004 to require China Poly Group to purchase back PPL at its consideration on acquisition together with interest at 12% per annum for the entire period of investment, less distribution of profits already received, if any. In the opinion of the directors, the joint venture term and the land use right can be extended upon expiration.
- (ii) At the balance sheet date, the property ownership certificates in respect of property interests held under medium-term land use rights in the PRC as stated above have not been issued by the relevant PRC government authority. The Group has settled the full amount of the purchase consideration and in the opinion of the directors, such certificates will be issued in due course.

13. HOTEL PROPERTIES

	HK\$'000
THE GROUP	
VALUATION	
At 1st January, 2001	587,977
Surplus arising on revaluation	20,423
	<hr/>
At 31st December, 2001	<u>608,400</u>

The hotel properties of the Group were revalued at 31st December, 2001 on an open market value existing use basis by AA Property Services Limited, an independent firm of professional property valuers. The surplus arising on revaluation of hotel properties amounted to HK\$20,423,000, of which HK\$7,543,000 and HK\$9,660,000 (net of minority interests of HK\$3,220,000) have been credited to the consolidated income statement and the hotel properties revaluation reserve respectively.

If the Group's hotel properties had not been revalued, they would have been included on a historical cost basis at carrying value of HK\$595.5 million (2000: HK\$595.5 million).

All the hotel properties are situated in the PRC and held under long-term land use rights (Note 12(i)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Motor vessels HK\$'000	Plant and machinery HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP							
COST OR VALUATION							
At 1st January, 2001	231,277	88,194	6,777	579,294	107,479	4,605	1,017,626
Acquisition of subsidiaries	113,326	—	—	—	201,435	7,050	321,811
Additions	—	1,232	1,316	—	39,265	12,735	54,548
Disposals	—	(562)	(995)	—	(1,174)	(1,415)	(4,146)
Transfers	—	1,934	—	—	6,588	(8,522)	—
	<u>344,603</u>	<u>90,798</u>	<u>7,098</u>	<u>579,294</u>	<u>353,593</u>	<u>14,453</u>	<u>1,389,839</u>
At 31st December, 2001	344,603	90,798	7,098	579,294	353,593	14,453	1,389,839
Comprising:							
At cost	201,071	90,798	7,098	579,294	353,593	14,453	1,246,307
At valuation — 1995	27,893	—	—	—	—	—	27,893
— 1997	115,639	—	—	—	—	—	115,639
	<u>344,603</u>	<u>90,798</u>	<u>7,098</u>	<u>579,294</u>	<u>353,593</u>	<u>14,453</u>	<u>1,389,839</u>
DEPRECIATION AND AMORTISATION							
At 1st January, 2001	28,580	69,556	5,347	170,985	51,167	—	325,635
Impairment loss	—	—	—	22,643	—	—	22,643
Provided for the year	13,290	4,586	522	23,644	9,001	—	51,043
Eliminated on disposals	—	(506)	(764)	—	(1,165)	—	(2,435)
	<u>41,870</u>	<u>73,636</u>	<u>5,105</u>	<u>217,272</u>	<u>59,003</u>	<u>—</u>	<u>396,886</u>
At 31st December, 2001	41,870	73,636	5,105	217,272	59,003	—	396,886
NET BOOK VALUE							
At 31st December, 2001	<u>302,733</u>	<u>17,162</u>	<u>1,993</u>	<u>362,022</u>	<u>294,590</u>	<u>14,453</u>	<u>992,953</u>
At 31st December, 2000	<u>202,697</u>	<u>18,638</u>	<u>1,430</u>	<u>408,309</u>	<u>56,312</u>	<u>4,605</u>	<u>691,991</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
The net book value of land and buildings shown above comprises:		
Properties held under		
— long leases in Hong Kong	129,301	132,172
— medium-term land use rights in the PRC	112,138	—
— long-term land use rights in the PRC (<i>Note 12(i)</i>)	61,294	70,525
	302,733	202,697

The Group's land and buildings stated at 1995 and 1997 valuation were valued at 31st March, 1995 and 31st March, 1997 by independent firm of professional property valuers, on an open market value basis before being transferred from investment properties. No further valuation has been carried out on these properties.

If land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation and amortisation at approximately HK\$296,525,000 (2000: HK\$196,431,000).

All motor vessels are held for use under operating leases.

At 31st December, 2001, the management of the Group has reviewed the carrying amount of a motor vessel. An impairment loss of HK\$22,643,000, representing the difference between the estimated selling price and the carrying amount of the motor vessel, has been identified and recognised in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

15. INTANGIBLE ASSETS

	<i>HK\$'000</i>
THE GROUP	
COST	
At 1st January, 2001	5,580
Additions	13,116
At 31st December, 2001	<u>18,696</u>
AMORTISATION	
Amortisation for the year and at 31st December, 2001	<u>5,748</u>
NET BOOK VALUE	
At 31st December, 2001	<u><u>12,948</u></u>
At 31st December, 2000	<u><u>5,580</u></u>

Intangible assets represent the publishing rights acquired from independent third parties.

The amortisation period adopted for intangible assets ranges from twelve to eighteen months.

In the opinion of the directors, the intangible assets are worth at least their carrying amount.

16. INTEREST IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	10,056	10,056
Amounts due from subsidiaries less impairment loss recognised	2,027,498	1,952,582
	<u>2,037,554</u>	<u>1,962,638</u>

Details of the Company's principal subsidiaries at 31st December, 2001 are set out in note 44.

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown as non-current.

None of the subsidiaries had any loan capital outstanding at the end of the year/period or at any time during the year/period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

17. NEGATIVE GOODWILL

	HK\$'000
THE GROUP	
GROSS AMOUNT	
Arising on acquisition of subsidiaries and at 31st December, 2001	15,826
RELEASED TO INCOME	
Released to other revenue in the year and at 31st December, 2001	233
	15,593

The negative goodwill is released to income on a straight-line basis over an average period of 18 years, the remaining term of the subsidiaries established in the PRC.

18. INTEREST IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	—	—	77,060	78,102
Share of net assets of associates:				
Listed	226,825	237,349	—	—
Unlisted	86,371	73,738	—	—
Goodwill arising on acquisition of associates (<i>note</i>)	61,274	—	—	—
	374,470	311,087	77,060	78,102
Market value of listed shares at the balance sheet date	144,602	123,826	—	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

18. INTEREST IN ASSOCIATES (Continued)

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
<i>Note:</i> Goodwill arising on acquisition of associates		
COST		
Arising on acquisition of associates and balance at 31st December, 2001	61,274	—
AMORTISATION		
Provided for the year and balance at 31st December, 2001	—	—
NET BOOK VALUE		
At 31st December, 2001	<u>61,274</u>	<u>—</u>

Details of the Group's associates at 31st December, 2001 are as follows:

Name of associate	Place of incorporation	Attributable proportion of nominal value of issued capital		Principal activities
		held by the Company	held by the Group	
Poly Investments Holdings Limited ("Poly")	Hong Kong	—	40.37%	Investment holding, property investment, manufacture and trading of chemical fibres, financial services and securities investment
Skywin China Limited	British Virgin Islands	—	25%	Investment holding, development and supply of software for telecommunication systems
Winterthur Insurance (Asia) Limited ("Winterthur")	Hong Kong	48%	48%	Insurance business

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

18. INTEREST IN ASSOCIATES (Continued)

The followings details have been extracted from the audited financial statements of Poly, the Group's major associate:

Results for the year/period:

	2001	2000
	HK\$'000	HK\$'000
Turnover	<u>312,340</u>	<u>277,848</u>
Loss before tax and after minority interests	<u>(25,805)</u>	<u>(17,277)</u>
Loss before tax and after minority interests attributable to the Group	<u>(10,417)</u>	<u>(7,783)</u>

Financial position:

	2001	2000
	HK\$'000	HK\$'000
Non-current assets	423,141	439,796
Current assets	507,749	562,100
Current liabilities	(314,870)	(211,131)
Non-current liability	(11,139)	(134,508)
Minority interests	<u>(43,015)</u>	<u>(68,321)</u>
Net assets	<u>561,866</u>	<u>587,936</u>
Net assets attributable to the Group	<u>226,825</u>	<u>237,349</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

19. INTEREST IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net assets (liabilities) of jointly controlled entities	7,175	(16,661)
Loans to jointly controlled entities	40,479	123,004
	<u>47,654</u>	<u>106,343</u>

Included in the balance at 31st December, 2000 are two jointly controlled entities, the principal activities of which are to invest in power plant operations. Following a change of the Group's business plan in October 2001, the Group acquired the remaining equity interest in one of these two entities and assumed control over the other. As a result, both of these entities became wholly owned subsidiaries of the Group since October 2001.

The loans to the jointly controlled entities at 31st December, 2001 are unsecured, interest-free and have no fixed repayment terms.

One of the loans to the jointly controlled entities at 31st December, 2000 with an amount of HK\$77,200,000 carried interest at market rate.

Details of the jointly controlled entity which was indirectly held by the Company at 31st December, 2001 are as follows:

Name of jointly controlled entity	Place of establishment	Attributable proportion of nominal value of registered capital	Principal activities
天津華盛房地產發展有限公司 Tianjin Winson Real Estate Development Company Limited ("Tianjin Winson")	PRC	25%	Property development in Tianjin, the PRC

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

19. INTEREST IN JOINTLY CONTROLLED ENTITIES (Continued)

The following details have been extracted from the unaudited financial statements of Tianjin Winson:

	1.1.2001 to 31.12.2001 HK\$'000	1.4.2000 to 31.12.2000 HK\$'000
Results for the year/period:		
Turnover	<u>10,484</u>	<u>48,749</u>
Loss before tax and after minority interests	<u>(36,732)</u>	<u>(47,803)</u>
Loss before tax and after minority interests attributable to the Group	<u>(9,183)</u>	<u>(11,951)</u>
Financial position:		
Non-current assets	50	195
Current assets	203,353	264,062
Current liabilities	(9,838)	(47,386)
Non-current liabilities	<u>(164,865)</u>	<u>(324,986)</u>
Net assets (liabilities)	<u>28,700</u>	<u>(108,115)</u>
Net assets (liabilities) attributable to the Group	<u>7,175</u>	<u>(27,029)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

20. INVESTMENTS IN SECURITIES

	Held-to-maturity		Investment securities		Other investments		Total	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
THE GROUP								
Equity securities:								
Listed	—	—	86,468	86,468	78,634	27,056	165,102	113,524
Unlisted	—	—	—	—	13,335	935	13,335	935
	<u>—</u>	<u>—</u>	<u>86,468</u>	<u>86,468</u>	<u>91,969</u>	<u>27,991</u>	<u>178,437</u>	<u>114,459</u>
Debt securities:								
Unlisted	—	112	—	—	—	—	—	112
	<u>—</u>	<u>112</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>112</u>
Total:								
Listed in Hong Kong	—	—	86,468	86,468	78,634	27,056	165,102	113,524
Unlisted	—	112	—	—	13,335	935	13,335	1,047
	<u>—</u>	<u>112</u>	<u>86,468</u>	<u>86,468</u>	<u>91,969</u>	<u>27,991</u>	<u>178,437</u>	<u>114,571</u>
Market value of listed securities	—	—	52,480	57,108	78,634	27,056	131,114	84,164
Carrying amount analysed for reporting purposes as:								
Current	—	—	—	—	91,034	27,056	91,034	27,056
Non-current	—	112	86,468	86,468	935	935	87,403	87,515
	<u>—</u>	<u>112</u>	<u>86,468</u>	<u>86,468</u>	<u>91,969</u>	<u>27,991</u>	<u>178,437</u>	<u>114,571</u>
THE COMPANY								
Current investments:								
Listed equity securities	—	—	—	—	26,786	—	26,786	—
Market value of listed securities	—	—	—	—	26,786	—	26,786	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

21. INVENTORIES

	2001	2000
	HK\$'000	HK\$'000
Raw materials	12,675	5,922
Work in progress	29	81
Finished goods	2,139	1,571
	14,843	7,574
	14,843	7,574

22. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit periods ranging from 30 days to 90 days to its trade customers. Included in this balance are trade receivables of HK\$54,910,000 (2000: HK\$14,188,000), an aged analysis of which is as follows:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
0 to 30 days	23,452	10,042
31 to 90 days	11,990	1,708
More than 90 days	19,468	2,438
	54,910	14,188
	54,910	14,188

23. SHORT-TERM LOANS RECEIVABLE

Included in the short-term loans at 31st December, 2000 was an interest-free shareholder's loan of HK\$15,912,000 advanced to a jointly controlled entity. During the year, the amount was capitalised as investment when the Group acquired the remaining interest in that entity (note 34).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

24. TRADE AND OTHER PAYABLES

Included in this balance are trade payables of HK\$49,001,000 (2000: HK\$22,780,000), an aged analysis of which is as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
0 to 30 days	26,043	11,727
31 to 90 days	1,685	4,169
More than 90 days	21,273	6,884
	<u>49,001</u>	<u>22,780</u>

25. BANK BORROWINGS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Bank loans		
— secured	323,765	254,382
— unsecured	29,014	—
	<u>352,779</u>	<u>254,382</u>

The maturity of the above loans is as follows:

On demand or within one year	162,042	133,833
More than one year, but not exceeding two years	149,436	21,684
More than two years, but not exceeding five years	41,301	98,865
	<u>352,779</u>	<u>254,382</u>
Less: Amounts due within one year shown under current liabilities	162,042	133,833
	<u>190,737</u>	<u>120,549</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

26. SHARE CAPITAL

	Number of ordinary shares	Amount <i>HK\$'000</i>
Ordinary share of HK\$0.50 each		
Authorised:		
At 1st April, 2000, 31st December, 2000 and 31st December, 2001	<u>1,200,000,000</u>	<u>600,000</u>
Issued and fully paid:		
At 1st April, 2000	696,257,200	348,129
Issue of shares (<i>note i</i>)	139,000,000	69,500
Shares repurchased and cancelled (<i>note ii</i>)	<u>(14,102,000)</u>	<u>(7,051)</u>
At 31st December, 2000	821,155,200	410,578
Shares repurchased and cancelled (<i>note iii</i>)	<u>(10,372,000)</u>	<u>(5,186)</u>
At 31st December, 2001	<u>810,783,200</u>	<u>405,392</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

26. SHARE CAPITAL (Continued)

During the year/period, the following changes in the share capital of the Company took place:

- (i) In March 2000, Congratulations Company Ltd. ("Congratulations"), a wholly-owned subsidiary of China Poly Group, entered into an agreement (the "Placing Agreement") with a placing agent to place 49,600,000 existing shares of HK\$0.50 each in the Company to independent third parties, represented about 7.12% of the then existing issued share capital of the Company, at a price of HK\$1.50 per share (the "Placing").

Conditional, inter alia, to the completion of the Placing Agreement, Congratulations has agreed to subscribe 139,000,000 new shares of HK\$0.50 each in the Company (the "Subscription") at a price of HK\$1.50 per share, represented about 19.96% of the then existing share capital of the Company and about 16.64% of the issued share capital of the Company as enlarged by the new shares to be issued under the Subscription. The net proceeds of the Subscription, which amounted to about HK\$206,000,000, were used as general working capital of the Group and for expansion of the Group's business and future investments if opportunity arises.

The Placing and the Subscription were completed in April 2000. The new shares issued under the Subscription rank pari passu in all respects with the then existing shares.

- (ii) During the period ended 31st December, 2000, the Company repurchased certain of its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
September 2000	2,542,000	1.40	1.18	3,481
October 2000	5,580,000	1.23	1.12	6,570
November 2000	4,712,000	1.24	1.03	5,298
December 2000	1,268,000	1.12	0.96	1,331
	<u>14,102,000</u>			<u>16,680</u>

The repurchased shares were subsequently cancelled upon repurchase and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the accumulated profits account.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

26. SHARE CAPITAL (Continued)

- (iii) During the year ended 31st December, 2001, the Company repurchased certain of its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate consideration paid
		Highest HK\$	Lowest HK\$	HK\$'000
January 2001	1,435,000	1.18	1.04	1,608
March 2001	2,199,000	1.12	0.95	2,275
July 2001	3,688,000	1.02	0.89	3,413
August 2001	498,000	0.92	0.90	454
September 2001	316,000	0.73	0.71	228
October 2001	2,236,000	0.93	0.70	1,918
	<u>10,372,000</u>			<u>9,896</u>

The repurchased shares were subsequently cancelled upon repurchase and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the accumulated profits account.

- (iv) None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

27. SHARE OPTIONS

At 31st December, 2001, the following options to subscribe for shares were outstanding under the Company's share option scheme:

Date of grant	Exercisable period	Exercise price per share HK\$	Number of shares subject to options
3.9.1997	3.9.1998 - 2.9.2007	5.175	31,200,000
5.6.1998	5.6.1999 - 4.6.2008	1.370	17,000,000
30.11.2000	30.11.2001 - 29.11.2010	0.740	26,205,000
			<u>74,405,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

28. RESERVES

	Share premium HK\$'000	Hotel properties revaluation reserve HK\$'000	Exchange translation reserve HK\$'000	Capital redemption reserve HK\$'000	Goodwill reserve HK\$'000	PRC statutory reserves HK\$'000	Other capital reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE GROUP									
At 1st April, 2000									
— as originally stated	1,321,079	11,623	2,594	2,038	(42,406)	1,441	586	468,721	1,765,676
— prior period adjustment (note 2)	—	—	—	—	—	—	—	16,705	16,705
— as restated	1,321,079	11,623	2,594	2,038	(42,406)	1,441	586	485,426	1,782,381
Goodwill arising on acquisition of subsidiaries	—	—	—	—	(12,319)	—	—	—	(12,319)
Goodwill arising on acquisition of an associate	—	—	—	—	(4,364)	—	—	—	(4,364)
Premium arising on issue of shares	139,000	—	—	—	—	—	—	—	139,000
Share issue expenses	(1,836)	—	—	—	—	—	—	—	(1,836)
Deficit arising on revaluation	—	(11,623)	—	—	—	—	—	—	(11,623)
Shares repurchased and cancelled:									
— Premium on shares repurchased	—	—	—	—	—	—	—	(9,629)	(9,629)
— Transfer	—	—	—	7,051	—	—	—	(7,051)	—
Loss for the period	—	—	—	—	—	—	—	(52,648)	(52,648)
Dividends (note 10)	—	—	—	—	—	—	—	(16,705)	(16,705)
At 31st December, 2000	1,458,243	—	2,594	9,089	(59,089)	1,441	586	399,393	1,812,257
Surplus arising on revaluation	—	9,660	—	—	—	—	—	—	9,660
Shares repurchased and cancelled:									
— Premium on shares repurchased	—	—	—	—	—	—	—	(4,710)	(4,710)
— Transfer	—	—	—	5,186	—	—	—	(5,186)	—
Transfer	—	—	—	—	—	2,726	—	(2,726)	—
Share of translation of reserve of overseas operations	—	—	(48)	—	—	—	—	—	(48)
Impairment of goodwill recognised in income statement	—	—	—	—	6,948	—	—	—	6,948
Loss for the year	—	—	—	—	—	—	—	(14,825)	(14,825)
At 31st December, 2001	1,458,243	9,660	2,546	14,275	(52,141)	4,167	586	371,946	1,809,282
THE COMPANY									
At 1st April, 2000									
— as originally stated	1,321,079	—	—	2,038	—	—	—	94,691	1,417,808
— prior period adjustment (note 2)	—	—	—	—	—	—	—	16,705	16,705
— as restated	1,321,079	—	—	2,038	—	—	—	111,396	1,434,513
Premium arising on issue of shares	139,000	—	—	—	—	—	—	—	139,000
Share issue expenses	(1,836)	—	—	—	—	—	—	—	(1,836)
Share repurchased and cancelled:									
— Premium on shares repurchased	—	—	—	—	—	—	—	(9,629)	(9,629)
— Transfer	—	—	—	7,051	—	—	—	(7,051)	—
Profit for the period	—	—	—	—	—	—	—	16,755	16,755
Dividends (note 10)	—	—	—	—	—	—	—	(16,705)	(16,705)
At 31st December, 2000	1,458,243	—	—	9,089	—	—	—	94,766	1,562,098
Shares repurchased and cancelled:									
— Premium on shares repurchased	—	—	—	—	—	—	—	(4,710)	(4,710)
— Transfer	—	—	—	5,186	—	—	—	(5,186)	—
Profit for the year	—	—	—	—	—	—	—	16,455	16,455
At 31st December, 2001	1,458,243	—	—	14,275	—	—	—	101,325	1,573,843

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

28. RESERVES (Continued)

The accumulated profits of the Group include a loss of approximately HK\$18,670,000 (2000: HK\$6,975,000) retained by an associate and a loss of approximately HK\$41,405,000 (2000: HK\$35,206,000) attributable to jointly controlled entities.

The PRC statutory reserves are reserves required by the relevant PRC laws applicable to the Group's PRC subsidiaries, associate and jointly controlled entities.

During the year, the management of the Group reviewed the carrying amount of goodwill with reference to the business operated by a subsidiary. The subsidiary in question is engaged in the business of vessel charterhire and, in view of the impairment loss recognised in respect of the vessel as described in note 14, all of the goodwill relating to that subsidiary, amounting to HK\$6,948,000 is considered to be impaired and has been written off to the consolidated income statements.

The Company's reserves available for distribution to shareholders as at 31st December, 2001 represents its accumulated profits of approximately HK\$101.3 million (2000: HK\$94.8 million).

29. OTHER BORROWINGS

The amount is secured by 41.666% of the Company's interest in Winterthur, bears interest at 6% simple rate per annum and is repayable on 21st November, 2010.

30. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, the amounts are unlikely to be repayable within twelve months from the balance sheet date and are therefore shown as non-current.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

31. LOAN FROM A FELLOW SUBSIDIARY

The loan is unsecured, interest-free and repayable upon expiration of the joint venture term of PPL (note 12(i)).

32. DEFERRED LICENCING INCOME

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Unamortised deferred licencing income brought forward	104,673	115,888
Less: Licence income recognised	(14,953)	(11,215)
	<u>89,720</u>	<u>104,673</u>

The licencing income was received from China Poly Group, pursuant to an agreement whereby China Poly Group paid an amount of RMB160 million to the Group in January 1998 for the exclusive right to manage the Group's property interest in Poly Plaza, Beijing, the PRC for a period of 10 years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

33. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Loss before taxation	(848)	(47,459)
Interest expenses	18,123	15,541
Share of losses of associates	11,695	7,783
Share of losses of jointly controlled entities	6,199	8,163
Release of negative goodwill	(233)	—
Amortisation in deferred licencing income	(14,953)	(11,215)
Amortisation of intangible assets	5,748	—
Impairment loss on goodwill	6,948	—
Depreciation and amortisation of property, plant and equipment	51,043	27,138
(Surplus) deficit arising on revaluation of investment properties	(2,375)	26,949
(Surplus) deficit arising on revaluation of hotel properties	(7,543)	7,543
Impairment loss on property, plant and equipment	22,643	—
Loss on disposal of property, plant and equipment	1,403	3,365
Allowance for short-term loans receivable	5,923	7,000
Unrealised holding loss on other investments	3,461	19,108
Decrease (increase) in stores	139	(169)
Increase in inventories	(893)	(105)
Decrease (increase) in trade and other receivables	65,035	(29,152)
Increase in short-term loans receivable	(28,037)	(3,952)
Decrease in amount due from an associate	94	2,906
Increase in other investments	(67,439)	(23,960)
(Decrease) increase in trade and other payables	(27,016)	3,036
Decrease in property rental deposits	(3,980)	(1,170)
	<hr/>	<hr/>
Net cash inflow from operating activities	45,137	11,350

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

34. PURCHASE OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Property, plant and equipment	321,811	53,168
Intangible assets	—	5,580
Inventories	6,376	4,323
Trade and other receivables	95,815	11,321
Pledged bank deposits	2,741	—
Bank and cash balances	8,203	4,629
Trade and other payables	(97,362)	(72,841)
Taxation	(1,225)	—
Bank borrowings	(142,402)	—
Minority interests	(92,576)	(2,760)
Loans to jointly controlled entities	(39,425)	—
	<hr/>	<hr/>
Net assets	61,956	3,420
Negative goodwill/goodwill arising on acquisition	(15,826)	12,319
	<hr/>	<hr/>
	46,130	15,739
	<hr/>	<hr/>
Satisfied by:		
Cash consideration paid	17,160	15,739
Share of net assets of jointly controlled entities	13,058	—
Short-term loans receivable (<i>note 23</i>)	15,912	—
	<hr/>	<hr/>
	46,130	15,739
	<hr/>	<hr/>
Analysis of net outflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Total cash consideration paid (including legal and professional charges)	17,160	15,739
Bank balances and cash acquired	(8,203)	(4,629)
	<hr/>	<hr/>
Net outflow of cash and cash equivalents in connection with the purchase of subsidiaries	8,957	11,110
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

34. PURCHASE OF SUBSIDIARIES (Continued)

The subsidiaries acquired during the year contributed approximately HK\$79.5 million to the Group's net operating cash flows, paid approximately HK\$1.6 million in respect of the net returns on investments and servicing of finance, paid approximately HK\$1.1 million in respect of taxation, utilised approximately HK\$43.3 million for investing activities and paid approximately HK\$12.9 million in respect of financing activities.

The subsidiaries acquired during the year contributed approximately HK\$36.6 million to the Group's turnover and approximately HK\$6.5 million to the Group's profit from operations.

35. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR/PERIOD

	Share capital, share premium and capital redemption reserve <i>HK\$'000</i>	Bank borrowings <i>HK\$'000</i>	Other borrowings <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
At 1st January, 2000	1,671,246	348,645	—	128,509
Advances	—	—	31,477	—
Repayment of borrowings	—	(94,263)	—	—
Acquisition of subsidiaries	—	—	—	2,760
Minority interests share of profits for the period	—	—	—	3,497
Minority interests share of hotel properties revaluation reserve	—	—	—	(3,874)
Issue of shares for cash	208,500	—	—	—
Shares issue expenses	(1,836)	—	—	—
Shares repurchase and cancelled:				
— consideration paid	(16,680)	—	—	—
— premium charged to accumulated profits	9,629	—	—	—
— transfer	7,051	—	—	—
At 31st December, 2000	1,877,910	254,382	31,477	130,892

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

35. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR/PERIOD (Continued)

	Share capital, share premium and capital redemption reserve HK\$'000	Bank borrowings HK\$'000	Other borrowings HK\$'000	Minority interests HK\$'000
Advances	—	153,759	—	—
Repayment of borrowings	—	(197,764)	(1,187)	—
Acquisition of subsidiaries	—	142,402	—	92,576
Contribution from minority interests	—	—	—	20,623
Dividend paid to minority interests	—	—	—	(8,377)
Minority interests share of profits for the year	—	—	—	12,058
Minority interests share of hotel properties revaluation reserve	—	—	—	3,220
Minority interests share of exchange transaction reserve	—	—	—	(31)
Shares repurchase and cancelled:				
— consideration paid	(9,896)	—	—	—
— premium charged to accumulated profits	4,710	—	—	—
— transfer	5,186	—	—	—
At 31st December, 2001	<u>1,877,910</u>	<u>352,779</u>	<u>30,290</u>	<u>250,961</u>

36. MAJOR NON-CASH TRANSACTIONS

- (a) During the year, the Group capitalised an amount of approximately HK\$43.1 million due from Tianjin Winson as investment cost in Tianjin Winson.
- (b) During the year, the Group capitalised a short-term loan of approximately HK\$15.9 million to a jointly controlled entity as investment cost in that entity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

37. UNRECOGNISED DEFERRED TAXATION

At 31st December, 2001, the Group other than its subsidiaries in the PRC had an unrecognised deferred tax asset of approximately HK\$12 million (2000: HK\$7.7 million) which represents the tax effect of timing differences arising as a result of tax losses available to set off against future assessable profits. In addition, at 31st December, 2001, the Group's PRC subsidiary had an unrecognised deferred tax asset of approximately HK\$12.5 million (2000: HK\$7.5 million), representing the maximum benefit from unutilised tax losses which can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits. These deferred tax assets have not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

Deferred taxation has not been provided on the valuation surplus arising on the valuation of investment properties and hotel property as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the valuation surplus does not constitute a timing difference for tax purposes.

The Company had no significant unprovided deferred taxation for the year/period or at the balance sheet date.

38. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

	1.1.2001 to 31.12.2001 HK\$'000	1.4.2000 to 31.12.2000 HK\$'000
Operating lease rentals in respect of:		
— land and buildings	3,705	130
— satellite television channel	3,484	—
	<u>3,484</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

38. OPERATING LEASE ARRANGEMENTS (Continued)

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Satellite television channel		Office and factory premises	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	6,240	6,240	4,110	686
In the second to fifth year inclusive	24,960	24,960	14,579	282
Over five years	37,440	43,680	25,701	—
	68,640	74,880	44,390	968

Leases are negotiated for a term of fifteen years and rentals are fixed for an average of two years.

The Group as lessor:

Property rental income earned during the year was approximately HK\$45.4 million (1.4.2000 to 31.12.2000: HK\$35.8 million). Significant leases are negotiated for a lease term of 1 to 3 years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2001 HK\$'000	2000 HK\$'000
Within one year	32,284	39,792
In the second to fifth year inclusive	29,491	17,432
Over five years	1,033	1,509
	62,808	58,733

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

39. CAPITAL COMMITMENTS

	2001	2000
	HK\$'000	HK\$'000
THE GROUP		
Capital expenditure contracted for but not provided in the financial statements in respect of		
— acquisition of property, plant and equipment	35,268	—
— acquisition of interests in an unlisted company	2,400	—
	37,668	—
	37,668	—

40. CONTINGENT LIABILITIES

At 31st December, 2001, the Company had given guarantees of approximately HK\$120 million (2000: HK\$142 million) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

In addition, at 31st December, 2001, the Group had given a guarantee of approximately HK\$14.3 million (2000: HK\$14.3 million) to a bank in respect of credit facilities granted to prospective purchasers of properties developed by a jointly controlled entity of the Group.

41. PLEDGE OF ASSETS

At the balance sheet date, bank deposits of HK\$28,580,000 (2000: HK\$13,407,000), certain of the Group's investment properties of approximately HK\$312,000,000 (2000: approximately HK\$301,725,000), other property interests and motor vessels with an aggregate net book value of approximately HK\$1,224,825,000 (2000: approximately HK\$1,000,067,000) and shares in certain subsidiaries and an associate were pledged to secure credit facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

42. RETIREMENT BENEFITS SCHEME

The Company operates a defined contribution retirement benefits scheme for its qualifying employees. The assets of the scheme are held separately in a fund which is under the control of an independent trustee. The retirement benefits scheme contributions charged to the income statement represent the contributions payable by the Company to the fund at rates specified in the rules of the scheme. When there are employees who leave the scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Company.

The employees in the subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The subsidiary is required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

At the balance sheet date, there was no significant forfeited contributions, which arose upon employees leaving the retirement benefits scheme, available to reduce the contribution payable in the future years.

With effective from 1st December, 2000, the Group has also established a Mandatory Provident Fund scheme ("MPF Scheme"). The MPF scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

43. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

During the year/period, the Group had significant transactions and balances with related companies, some of which are also deemed to be connected persons pursuant to the Rules Governing the Listing of Securities on the Stock Exchange. The significant transactions with these companies during the year/period, and significant balances with them at the balance sheet date, are as follows:

(I) CONNECTED PERSONS

(A) Transactions and balances with China Poly Group

	THE GROUP	
	1.1.2001	1.4.2000
	to	to
	31.12.2001	31.12.2000
	HK\$'000	HK\$'000
Transactions:		
Subscription of new shares (<i>note i</i>)	—	208,500
Property rental income (<i>note ii</i>)	22,160	15,437
Manager remuneration paid (<i>note iii</i>)	11,093	5,716
Interest income (<i>note iv</i>)	—	378
Property leasing commission and management fees paid (<i>note v</i>)	884	2,121
	884	2,121
Balances:		
Trade and other receivables (<i>note vi</i>)	11,345	3,051
Trade and other payables (<i>note vi</i>)	29,683	40,048
Long term loan payable (<i>note vii</i>)	168,224	168,224
Property rental deposits (<i>note viii</i>)	—	736
	168,224	168,224

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

43. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(I) CONNECTED PERSONS *(Continued)*

(A) *Transactions and balances with China Poly Group (Continued)*

Notes:

- (i) The subscription of new shares were carried out under a subscription agreement signed on 29th March, 2000. Details of the subscription were set out in note 26(i).
- (ii) Of this rental income, an amount of HK\$22,160,000 (2000: HK\$13,549,000) is related to tenancy agreements which were previously approved by shareholders, who have no interest in the transactions of the Company, in extraordinary general meetings; and an amount of nil (2000: HK\$1,888,000) is related to tenancy agreements which were previously disclosed in the Company's press announcements.

The rentals were charged in accordance with the relevant tenancy agreements and the prevailing rent is equivalent or approximate to the market rentals as certified by an independent firm of professional property valuers at the time of the agreements were signed.
- (iii) The manager remuneration was calculated as a percentage of the gross profit before tax of a subsidiary of the Company managed by China Poly Group.
- (iv) As disclosed in the Company's announcement, in April 2000, a wholly-owned subsidiary of the Company granted an unsecured loan facility of up to RMB20,000,000 to Poly Southern Co. ("Poly Southern"), a wholly owned subsidiary of China Poly Group. The loan carried interest at 8% per annum and was matured 3 months after the drawdown. Poly Southern drew down the loan in April 2000 and repaid the principal together with interest in July 2000.
- (v) The property leasing commission and management fees were calculated with reference to the rental income of certain of the Group's properties managed by China Poly Group.
- (vi) The balances are unsecured, interest-free and repayable on demand.
- (vii) Details of the terms are set out in note 31.
- (viii) Rental deposits were repayable when the related tenancy agreements expired.

43. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(I) CONNECTED PERSONS *(Continued)*

(A) *Transactions and balances with China Poly Group (Continued)*

In addition, on 26th January, 2000, the Group and China Poly Group entered into an agreement (the "Supplemental Agreement") supplemental to the management agreement dated 11th June, 1997 (the "Management Agreement") between the same parties. Pursuant to the Supplemental Agreement, the profit guarantee provided by China Poly Group under the Management Agreement would be suspended for the two years ended 31st December, 2001 and extended to cover the two years following its expiry on 31st December, 2007 until 31st December, 2009, based on the mechanism provided in the Management Agreement. The Supplemental Agreement was approved by shareholders in an extraordinary general meeting on 17th March, 2000.

Furthermore, pursuant to a conditional agreement and a supplementary agreement entered into by the Group and China Poly Group in March 2000 and September 2000 respectively, the Group acquired a 49% interest in Polystar Digidisc Co., Ltd. ("Polystar") and has an option to acquire another 17% of the existing registered capital in Polystar subject to the fulfillment of certain conditions. The consideration was approximately HK\$15,237,000 (RMB16,380,000). The conditions precedent were satisfied in November 2000 and the acquisition was approved by the PRC authorities in December 2000. The acquisition was previously disclosed in the Company's press announcements.

(B) *Proportional financing to a jointly controlled entity*

Since May 1997, the Group has given a guarantee of approximately HK\$14.3 million to a bank in respect of credit facilities granted to prospective purchasers of properties developed by a jointly controlled entity of the Group, Tianjin Winson, in proportion to the Group's equity interest in Tianjin Winson. The Group has also made unsecured, interest-free advances to Tianjin Winson in proportion to its equity interest in Tianjin Winson. The balance of advances and accrued interest at 31st December, 2001 amounted to approximately HK\$40.5 million (31.12.2000: HK\$92,571,000). During the year, all the shareholders of Tianjin Winson agreed to waive their interest receivable from Tianjin Winson. The amount waived by the Group was approximately HK\$43.1 million. China Poly Group also has a 20% indirect beneficial interest in Tianjin Winson other than that held by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

43. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

(I) CONNECTED PERSONS (Continued)

(C) Disproportionate financing

Prior to Taicang Xinhaikang Xiexin Thermal Power Company Limited ("Taicang Xinhaikang") became a 51% indirectly owned subsidiary of the Group, during the year, the Group had provided a shareholder's loan of approximately HK\$16.9 million to Taicang Xinhaikang; whereas the minority shareholder had provided a shareholder's loan of approximately HK\$21.2 million to Taicang Xinhaikang.

(II) RELATED PARTIES, OTHER THAN CONNECTED PERSONS

		THE GROUP	
		1.1.2001 to 31.12.2001 HK\$'000	1.4.2000 to 31.12.2000 HK\$'000
Related parties	Nature of transactions		
Associate	Management fees received (note i)	12,000	9,000
Jointly controlled entities	Interest income received (note ii)	2,912	3,557

Notes:

- (i) The management fees were charged to the associate with reference to the administration costs incurred by the Group.
- (ii) Interest income was calculated with reference to the principal outstanding and at market interest rates.
- (iii) Balances with the Group's jointly controlled entities are set out in note 19.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

44. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are wholly-owned and held indirectly by the Company except otherwise indicated, at 31st December, 2001 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued and fully paid share capital/ registered capital	Principal activity
Bassington Investments Limited	Hong Kong	HK\$2	Property investment
Bontec Developments Ltd.	British Virgin Islands	US\$2	Investment holding
California Hero Property Limited	British Virgin Islands	US\$1	Investment holding
CMIC Finance Limited #	Hong Kong	HK\$2	Financial services
CMIC Management Services Limited #	Hong Kong	HK\$100	Management services
CMIC-NCHK Energy Holdings Limited	British Virgin Islands	US\$100	Investment holding
CMIC Trading Limited #	Hong Kong	HK\$2	General trading
Fainland Limited	Hong Kong	HK\$2	Property investment
First Great Investments Limited	Hong Kong	HK\$2	Investment holding
Geldy Limited	Hong Kong	HK\$10,000	Property holding
Gold Star Enterprises S.A.	Liberia	US\$10,000	Ship owning
Golden Mountain Limited	British Virgin Islands	US\$1	Investment holding
Grandful International Limited	Hong Kong	HK\$2	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

44. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued and fully paid share capital/ registered capital	Principal activity
High Wealth International Limited	Hong Kong	HK\$2	Property investment
Honorlink Investments Limited	Hong Kong	HK\$2	Property investment
Jinfeng Shipping Inc.	Panama	US\$2	Ship owning
New Gain Limited	British Virgin Islands	US\$350	Investment holding
Overseas Mariner Investment Company Limited #	Bermuda	US\$12,000	Investment holding
Poly Plaza Limited ("PPL") *	PRC	US\$10,000,000	Investment, management and operation of a hotel complex
Polystar Digidisc Co., Ltd. ** ("Polystar")	PRC	RMB9,000,000	Manufacturing and wholesaling of compact discs, video compact discs and digital video discs
Prime Brilliant Limited	Hong Kong	HK\$2	Property investment
Propwood Limited	Hong Kong	HK\$2	Property investment
Regal Step Investments Limited	Hong Kong	HK\$2	Property investment
Richwood Corporation	Liberia	US\$10,000	Ship owning
Saneble Limited	Hong Kong	HK\$2	Property investment
Shengzhou Xinzhonggang Thermal Power Co., Ltd. ("Shengzhou")***	PRC	RMB123,000,000	Provision of electricity and gas
Silver Point Assets Limited #	British Virgin Islands	US\$1	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

44. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued and fully paid share capital/ registered capital	Principal activity
Silver Spirit Enterprises Limited	British Virgin Islands	US\$1	Investment holding
Taicang Xinhaikang ****	PRC	RMB84,150,000	Provision of electricity and gas
Taksin Limited #	British Virgin Islands	US\$1	Investment holding
Topower Assets Limited #	British Virgin Islands	US\$1	Securities investment
Upperace Developments Ltd. #	British Virgin Islands	US\$1	Securities investment
Volgala International Ltd.	British Virgin Islands	US\$1	Securities investment

These subsidiaries are directly held by the Company.

* PPL is 75% indirectly held by the Company and established for a term of 17 years commencing 9th July, 1986 (see note 12(i) for details in connection with the arrangement to extend the joint venture term).

** Polystar is 66% indirectly held by the Company and established for a term of 20 years commencing 18th December, 2000.

*** Shengzhou is 52% indirectly held by the Company and established for a term of 35 years commencing 17th October, 1997.

**** Taicang Xinhaikang is 51% indirectly held by the Company and established for a term of 17 years commencing 17th March, 1999.

The above table only lists those subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

All the above subsidiaries are principally operating in their place of incorporation/ establishment except otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

45. BUSINESS AND GEOGRAPHICAL SEGMENTS

For the year ended 31st December, 2001

	Property investment and management HK\$'000	Shipping HK\$'000	Manufacturing and media HK\$'000	Hotel and restaurant operations HK\$'000	Financial services HK\$'000	Supply of electricity and gas HK\$'000	Eliminations HK\$'000	Total HK\$'000
By principal activity								
REVENUE								
External revenue	75,736	70,685	58,510	51,689	48,737	36,619	—	341,976
Inter-segment revenue	6,110	—	—	—	36,312	—	(42,422)	—
Total revenue	<u>81,846</u>	<u>70,685</u>	<u>58,510</u>	<u>51,689</u>	<u>85,049</u>	<u>36,619</u>	<u>(42,422)</u>	<u>341,976</u>
CONTRIBUTION TO PROFIT (LOSS) FROM OPERATIONS	<u>35,292</u>	<u>(16,026)</u>	<u>(893)</u>	<u>7,999</u>	<u>17,509</u>	<u>6,472</u>	<u>—</u>	50,353
Central administrative expenses								(15,184)
Profit from operations								35,169
Finance costs								(18,123)
Share of losses of associates	—	—	(10,417)	—	(1,278)	—		(11,695)
Share of losses of jointly controlled entities	(9,183)	—	—	—	—	2,984		(6,199)
Loss before taxation								(848)
Taxation								(1,919)
Loss before minority interests								<u>(2,767)</u>
ASSETS AND LIABILITIES AT 31ST DECEMBER, 2001								
ASSETS								
Segment assets	945,303	365,272	114,578	669,149	426,976	411,254		2,932,532
Interest in associates	—	—	303,052	—	71,418	—		374,470
Interest in jointly controlled entity	47,654	—	—	—	—	—		47,654
	<u>992,957</u>	<u>365,272</u>	<u>417,630</u>	<u>669,149</u>	<u>498,394</u>	<u>411,254</u>		<u>3,354,656</u>
LIABILITIES								
Segment liabilities	(71,600)	(8,665)	(58,060)	(87,179)	(2,841)	(106,832)		(335,177)
Unallocated corporate liabilities								(553,844)
								<u>(889,021)</u>
OTHER INFORMATION								
Capital expenditure	1,479	—	20,698	2,174	—	365,124		389,475
Depreciation and amortisation	8,806	23,644	9,847	10,257	—	4,237		56,791
Impairment losses recognised in income	—	29,591	—	—	—	—		29,591

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

45. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

For the year ended 31st December, 2001 (Continued)

An analysis of the Group's turnover and contribution to operating results by geographical location of its customers is presented below:

	Hong Kong <i>HK\$'000</i>	The PRC other than Hong Kong <i>HK\$'000</i>	Other parts of the world <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE	<u>67,540</u>	<u>203,402</u>	<u>71,034</u>	<u>341,976</u>
CONTRIBUTION TO PROFIT (LOSS) FROM OPERATIONS	<u>25,640</u>	<u>40,390</u>	<u>(15,677)</u>	50,353
Central administrative expenses				<u>(15,184)</u>
Profit from operations				35,169
Finance costs				(18,123)
Share of losses of associates	—	(11,695)	—	(11,695)
Share of losses of jointly controlled entities	—	(6,199)	—	<u>(6,199)</u>
Loss before taxation				(848)
Taxation				<u>(1,919)</u>
Loss before minority interests				<u>(2,767)</u>

The following is an analysis of the carrying amount of segment assets, and capital expenditure analysed by the geographical area in which the assets are located.

ASSETS

Carrying amount of segment assets	<u>497,941</u>	<u>2,069,319</u>	<u>365,272</u>	<u>2,932,532</u>
Capital expenditure	<u>364</u>	<u>389,111</u>	<u>—</u>	<u>389,475</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

45. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

For the year ended 31st December, 2000 (Continued)

	Property investment and management HK\$'000	Shipping HK\$'000	Manufacturing and media HK\$'000	Hotel and restaurant operations HK\$'000	Financial services HK\$'000	Supply of electricity and gas HK\$'000	Eliminations HK\$'000	Total HK\$'000
By principal activity								
REVENUE								
External revenue	50,085	54,846	1,094	27,259	55,409	—	—	188,693
Inter-segment revenue	6,833	—	—	—	14,000	—	(20,833)	—
Total revenue	<u>56,918</u>	<u>54,846</u>	<u>1,094</u>	<u>27,259</u>	<u>69,409</u>	<u>—</u>	<u>(20,833)</u>	<u>188,693</u>
CONTRIBUTION TO PROFIT (LOSS) FROM OPERATIONS								
	<u>(8,878)</u>	<u>9,078</u>	<u>1,056</u>	<u>(5,205)</u>	<u>5,717</u>	<u>—</u>	<u>—</u>	1,768
Central administrative expenses								(17,740)
Loss from operations								(15,972)
Finance costs								(15,541)
Share of losses of associates	—	—	(7,783)	—	—	—	—	(7,783)
Share of losses of jointly controlled entities	(11,951)	—	—	—	—	3,788	—	(8,163)
Loss before taxation								(47,459)
Taxation								(1,692)
Loss before minority interests								<u>(49,151)</u>
ASSETS AND LIABILITIES AT 31ST DECEMBER, 2000								
ASSETS								
Segment assets	948,125	418,427	82,742	659,331	567,699	—	—	2,676,324
Interest in associates	—	—	237,349	—	73,738	—	—	311,087
Interest in jointly controlled entities	53,925	—	—	—	—	52,418	—	106,343
	<u>1,002,050</u>	<u>418,427</u>	<u>320,091</u>	<u>659,331</u>	<u>641,437</u>	<u>52,418</u>	<u>—</u>	<u>3,093,754</u>
LIABILITIES								
Segment liabilities	(80,463)	(19,589)	(152,958)	(29,058)	(1,696)	—	—	(283,764)
Unallocated corporate liabilities								(456,263)
								<u>(740,027)</u>
OTHER INFORMATION								
Capital expenditure	21,082	—	58,748	40,782	—	—	—	120,612
Depreciation and amortisation	5,022	17,814	—	4,302	—	—	—	27,138
Impairment losses recognised in income	<u>26,949</u>	<u>—</u>	<u>—</u>	<u>7,543</u>	<u>19,108</u>	<u>—</u>	<u>—</u>	<u>53,600</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

45. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

For the year ended 31st December, 2000 (Continued)

An analysis of the Group's turnover and contribution to operating results by geographical location of its customers is presented below:

	Hong Kong <i>HK\$'000</i>	The PRC other than Hong Kong <i>HK\$'000</i>	Other parts of the world <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE	<u>68,901</u>	<u>64,946</u>	<u>54,846</u>	<u>188,693</u>
CONTRIBUTION TO PROFIT (LOSS) FROM OPERATIONS	<u>18,291</u>	<u>(25,601)</u>	<u>9,078</u>	1,768
Central administrative expenses				<u>(17,740)</u>
Loss from operations				(15,972)
Finance costs				(15,541)
Share of losses of associates	—	(7,783)	—	(7,783)
Share of losses of jointly controlled entities	—	(8,163)	—	<u>(8,163)</u>
Loss before taxation				(47,459)
Taxation				<u>(1,692)</u>
Loss before minority interests				<u>(49,151)</u>

The following is an analysis of the carrying amount of segment assets, and capital expenditures analysed by the geographical area in which the assets are located.

ASSETS

Carrying amount of segment assets	<u>684,377</u>	<u>1,573,519</u>	<u>418,427</u>	<u>2,676,323</u>
Capital expenditure	<u>140</u>	<u>120,472</u>	<u>—</u>	<u>120,612</u>

FIVE YEAR FINANCIAL SUMMARY

	1.4.1997 to 31.3.1998 <i>HK\$'000</i>	1.4.1998 to 31.3.1999 <i>HK\$'000</i>	1.4.1999 to 31.3.2000 <i>HK\$'000</i>	1.4.2000 to 31.12.2000 <i>HK\$'000</i>	1.1.2001 to 31.12.2001 <i>HK\$'000</i>
RESULTS					
Turnover	<u>296,796</u>	<u>284,099</u>	<u>251,547</u>	<u>188,693</u>	<u>341,976</u>
Profit (loss) from operations	117,594	39,616	93,734	(15,972)	35,169
Finance costs	(27,928)	(41,080)	(32,366)	(15,541)	(18,123)
Share of results of associates	2,283	(6,442)	3,438	(7,783)	(11,695)
Share of results of jointly controlled entities	(6)	(9,766)	(15,581)	(8,163)	(6,199)
Profit (loss) before taxation	91,943	(17,672)	49,225	(47,459)	(848)
Taxation	(224)	(2,513)	(2,570)	(1,692)	(1,919)
Profit (loss) before minority interests	91,719	(20,185)	46,655	(49,151)	(2,767)
Minority interests	(1,811)	(8,193)	(8,856)	(3,497)	(12,058)
Profit (loss) attributable to shareholders	<u>89,908</u>	<u>(28,378)</u>	<u>37,799</u>	<u>(52,648)</u>	<u>(14,825)</u>
	31.3.1998 <i>HK\$'000</i> (As restated)	31.3.1999 <i>HK\$'000</i>	31.3.2000 <i>HK\$'000</i> (As restated)	31.12.2000 <i>HK\$'000</i>	31.12.2001 <i>HK\$'000</i>
ASSETS AND LIABILITIES					
Total assets	3,376,361	3,218,625	2,998,278	3,093,754	3,354,656
Total liabilities	(1,053,157)	(990,189)	(739,259)	(740,027)	(889,021)
Minority interests	(115,280)	(120,621)	(128,509)	(130,892)	(250,961)
Shareholders' funds	<u>2,207,924</u>	<u>2,107,815</u>	<u>2,130,510</u>	<u>2,222,835</u>	<u>2,214,674</u>

Note: The assets and liabilities as at 31st March, 1998 and 31st March, 2000 have been adjusted to reflect the prior period adjustment as a result of the change in accounting policy for the adoption of the Statement of Standard Accounting Practice 9 (Revised) *Events after the Balance Sheet Date*. Details are set out in note 2 to the financial statements.

SUMMARY OF THE GROUP'S FLEET

At 31st December, 2001

Details of the Group's fleet in service, all of which are wholly-owned by the Group, at 31st December, 2001 are as follows:

Vessel	Type	Flag	Year built	Dead weight tonnage MT
Hai Ji	Bulk carrier	Panama	1994	70,000
Hai Kang	Bulk carrier	Panama	1993	70,000
Jin Feng	Bulk carrier	Hong Kong	1984	39,697
				<hr/>
				179,697
				<hr/> <hr/>

SUMMARY OF PROPERTIES HELD FOR INVESTMENT PURPOSES

At 31st December, 2001

Details of the Group's properties held for investment purposes at 31st December, 2001 are as follows:

Location	Term of lease	Type of use	Group's interest
INVESTMENT PROPERTIES:			
25th Floor Admiralty Centre Tower I 18 Harcourt Road Hong Kong 1,211/227,600th shares of and in Inland Lot No. 8423	Long lease	Commercial	100%
57 Houses and Apartments of Legend Garden Villas 89 Capital Airport Road, Beijing The People's Republic of China	Held under a land use right for a term expiring on 31st December, 2042	Residential	100%
14th, 15th, 17th and 18th Floors, South Tower, and the whole of 24th and 25th Floors, South Tower and North Tower, Shanghai Stock Exchange Building, Pudong Road South, Lujiazui, Pudong, Shanghai, The People's Republic of China	Held under a land use right for a term expiring on 14th November, 2043	Commercial	100%
HOTEL PROPERTIES:			
Poly Plaza, No. 14 Dongzhimen Nandajie, Dong Cheng District, Beijing, The People's Republic of China	Held under a land use right for a term expiring on 8th July, 2003*	Hotel operation and commercial	75%

* Pursuant to a deed entered into between the Group and Ringo Trading Limited ("Ringo"), a substantial shareholder, Ringo had guaranteed the extension of the land use right of Poly Plaza up to the year 2053 on the same terms and at the payment of all premium, charges and fees for such extension by the minority shareholder of Poly Plaza Limited.