



保利(香港)投資有限公司

Poly (Hong Kong) Investments Limited

(Formerly known as Continental Mariner Investment Company Limited)



ANNUAL REPORT 2004



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## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

WANG Jun (*Chairman*)  
HE Ping (*Vice-Chairman*)  
LI Shi Liang (*Managing Director*)  
CHEN Hong Sheng  
CHAN Tak Chi, William

#### Non-Executive Director

IP Chun Chung, Robert\*

#### Independent Non-Executive Directors

YAO Kang, J.P.\*  
LAM Tak Shing\*  
CHOY Shu Kwan, Wilson\*

\* *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  
CITIC Ka Wah Bank Limited  
Bank of China, Beijing Branch

### AUDITORS

Deloitte Touche Tohmatsu

### INVESTOR RELATIONS CONSULTANT

Jovian Financial Communications Limited  
Room 905-6, Harbour Centre  
25 Harbour Road  
Wanchai  
Hong Kong

### SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Poly (Hong Kong) Investments Limited (the "Company") will be held at Aberdeen Room, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 1st June, 2005 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, 2004.
2. To declare a final dividend.
3. To elect directors and to authorise the board of directors to fix their remuneration.
4. To appoint auditors and to authorise the board of directors to fix their remuneration.
5. 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
- (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;





## Notice of Annual General Meeting

- (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
- (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.”

## Notice of Annual General Meeting

- (C) “**THAT** conditional upon the Resolutions numbered 5(A) and 5(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 5(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 5(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, 29th April, 2005

*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, Computershare Hong Kong Investor Services 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) The register of members of the Company will be closed from 23rd May, 2005 to 25th May, 2005 (both dates inclusive), during which period no share transfer will be effected. In order to be eligible for attending the annual general meeting and qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 20th May, 2005.
- (4) A circular containing information concerning resolutions no. 5 was sent to the shareholders together with 2004 Annual Report.



## Re-election of the Retiring Directors

In accordance with Article 99 of the Company's Articles of Association, Mr. Choy Shu Kwan, Wilson, who was appointed as a director during the year will retire and being eligible, offer himself for re-election. In accordance with Article 116 of the Company's Articles of Association, Messrs. Yao Kang, J.P. and Li Shi Liang will retire and being eligible, offer themselves for re-election. Particulars of the directors proposed to be re-elected at the Annual General Meeting of the Company to be held on 1st June, 2005 is set out below.

### **LI Shi Liang**

Mr. Li, aged 59, has joined the Board since December 1999 and is the 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 a director of Yu Ming Investments Limited and was the Managing Director of Poly Investments Holdings Limited for the period from December 1999 to July 2002. Within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), Mr. Li is holding options with right to subscribe for 5,000,000 shares in the Company at the price of HK\$0.74 which are exercisable during the period from 30th November, 2001 to 29th November, 2010. There is no service contract between the Company and Mr. Li. Mr. Li is not appointed for a specific term but he is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

### **YAO Kang, J.P.**

Mr. Yao, aged 80, was appointed as an independent non-executive Director of the Company in March 1999 and is the Chairman of the Audit Committee of the Company. Mr. Yao was a director of John Swire & Sons (Hong Kong) Limited and Cathay Pacific Airways Limited. He was also Chairman of Pafoong Insurance Company (HK) Limited and Taikoo Royal Insurance Company Limited. During the three years preceding the latest practicable date prior to the printing of this annual report, Mr Yao had been a director of Hsin Chong Construction Group Limited and Sing Tao Holdings Limited. Mr. Yao has no relationship with any director, senior management, management shareholder, substantial shareholder or controlling shareholder of the Company. He was not interested or deemed to be interested in any shares or underlying shares of the Company within the meaning of Part XV of the SFO. There is no service contract between the Company and Mr. Yao. Mr. Yao is not appointed for a specific term but he is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

### **CHOY Shu Kwan, Wilson**

Mr. Choy, aged 50, was appointed as an independent non-executive Director of the Company in July 2004. Mr. Choy holds a Master degree in Business Administration and has over 26 years' extensive experience in financial business and investment management. Mr. Choy is the managing director of CITIC Capital Markets Limited. He is also an independent non-executive director of Shenyang Public Utility Holdings Company Limited and Renren Holdings Limited. Mr. Choy has no relationship with any director, senior management, management shareholder, substantial shareholder or controlling shareholder of the Company. He was not interested or deemed to be interested in any shares or underlying shares of the Company within the meaning of Part XV of the SFO. There is no service contract between the Company and Mr. Choy. Mr. Choy is not appointed for a specific term but he is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.



## Chairman's Statement



**Mr. WANG Jun**  
*Chairman*



**Mr. HE Ping**  
*Vice-Chairman*

In the past three years, the Group has been devoted to reorganize and optimize its assets structure and such efforts helped to reaffirm the Group's development strategy, with a particular emphasis on real estate investment and property rental market. In 2004, the Group captured the business opportunities for projects with strong cash inflow and attained remarkable results in operating efficiency. The Group recorded a continual growth for two consecutive years with the turnover reached HK\$567,190,000 for the year, representing an increase of 20% as compared to the previous year. The net profit reached HK\$164,997,000 and the earnings per share of HK18.61 cents, attaining the best level as compared to past few years. Taking into account the long-term development of the Company and the short-term goal in the return to the shareholders, we have adopted a stable dividend policy, and proposed to pay a final dividend of HK3 cents for the year.

### **STRONG FOUNDATION FOR ITS CORE BUSINESS OF PROPERTY DEVELOPMENT AND DETERMINED DIRECTION FOR ITS FOCUSED PROPERTY INVESTMENT**

In December 2004, the Company changed its name from "Continental Mariner Investment Company Limited" to "Poly (Hong Kong) Investments Limited" as approved in the general meeting. The property investment attains a higher significance to the Group's total assets. The Group possesses important landmark constructions in key cities, namely Shanghai, Beijing, Guangzhou and Wuhan, while those landmark constructions include Shanghai Stock Exchange Building in Shanghai, Poly Plaza in Beijing, the office building project at Beijing Jinrong Street and five-star ranking hotel/office project in Tian He District at Guangzhou. The average occupancy rate of floors of Shanghai Stock Exchange Building held by the Group reached 95% and the average daily rental rate of the units let or renewed during the year was US\$0.5 or above per square meter. After the renovation works for the hotel rooms and exterior wall of Poly Plaza, the average occupancy rate and hotel rates of the hotel tower were higher than the similar ranking hotels in Beijing. The office building project at Beijing Jinrong Street was a project under construction to which the Group made an investment contribution in June 2003.

In December 2003, the Group disposed the entire project at a consideration of RMB2 billion and it is expected that the transaction will be completed upon the delivery of the project to the ultimate buyer by the end of 2005. The Group holds 51% equity interests in a development project of a five-star ranking hotel/office project in Tian He District, Guangzhou, which is expected to be roof-top at the end of 2005 and to complete the construction by earliest at the end of 2006. In order to assure its continuous development, the Group acquired Hubei White Rose Hotel located at the heart of Wuhan, Hubei at mid-2004. It is expected the business hotel will bring a potential growth to the Group in long term in line with the fast economic growth in Wuhan.

The future development of the Group's real estate business will attain its focus on offices, hotels and apartments as principal strategy.

### **STRENGTHEN THE CASH FLOW MANAGEMENT TO ENSURE THE OPERATING EFFICIENCY**

The Group effectively re-consolidated its investment on co-generation power plants projects in 2004. With a view to concentrating its resources and the management for co-generations power plants in Jiangsu Province, the Group completed the acquisition of the 36.75% equity interests of Xuzhou Western Co-generation and 29.40% equity interests of Funing Co-generation in Jiangsu Province on February 2004. Given the persistent rapid economic growth in the People's Republic of China (the "PRC"), a strong demand of power and steam was generated and the overall sales volume of power and steam of co-generation power plants projects the Group acquired increased approximately 44% and 28% respectively as compared to the previous year. The overall sales of the Group's co-generation project reached HK\$151,738,000; however, as the economic efficiency was adversely affected by the increasing price of coal in the PRC in 2004, a decrease in contribution to profit was resulted. With the recovery of the shipping market in 2004, an income of HK\$149,581,000 from charterhire was generated. In order to further consolidate its core business, the Group has disposed the two bulk carriers held in due course with the "Hai Ji" carrier delivered during the year and resulted in a gain of HK\$54,637,000. The annual operating profits from charterhire reached HK\$104,285,000.

### **A DIVIDEND DISTRIBUTION STRATEGY THAT BALANCES THE REQUIREMENTS FOR LONG-TERM DEVELOPMENT AND SHORT-TERM BENEFITS AND THAT REWARDS THE SUPPORTS OF SHAREHOLDERS**

During the past two years, given a significant growth of operating profits achieved, the directors recommend the Group to declare another dividend to the shareholders in successive to the previous year. The dividend distribution strategy adhered by the Group is to adopt a moderate dividend rate on the conditions of maintaining the stable operation of the Group while achieving a balance in the long-term development and short-term benefits. As a result, the Group paid an interim dividend of HK\$0.02 per share on 8th October, 2004. In addition, the directors recommend the payment of a final dividend of HK\$0.03 per share for 2004 to the shareholders whose names appear on the register of members of the Company on 25th May, 2005, making HK\$0.05 in aggregate for the whole year. Subject to the approval of the shareholders at the annual general meeting, the final dividend will be paid on 3rd June, 2005.



## Chairman's Statement

### **CAPITALIZE ON THE BUSINESS OPPORTUNITY TO ACCELERATE GROWTH AND SCALE THE NEW HEIGHT**

It is expected that the PRC's economy will maintain its rapid growth, and coupled with its enormous population, tremendous demand for property, power and steam will be generated. On the basis of the extensive consolidation and optimization of asset structure implemented over the past few years, the Group attained a significant growth for the results of 2004. Taking the full advantage of the resources and brand name of China Poly Group Corporation, its substantial shareholder, and capitalizing on the tremendous business opportunities to be brought forth by the 2008 Beijing Olympic Game, 2010 Guangzhou Asian Games and 2010 World Expo in Shanghai, the Group will step up its measures on enlarging the scale of property development and optimizing its asset structures while adopting persistent, active and yet prudent approach in developing new projects and managing the projects under development stringently for generating a higher return for shareholders.

Lastly, on behalf of the Board, we would like to express our deepest gratitude to our shareholders for their continual support and to our staff members for their dedication and efforts.

For the year ended 31st December, 2004, the Company and its subsidiaries (collectively the "Group") recorded a turnover of HK\$567,190,000, representing an increase of HK\$93,600,000 or approximately 19.8% as compared with the turnover of HK\$473,590,000 of the year 2003. The increase in turnover was mainly attributable to the contribution from the shipping business for the year 2004 amounted to HK\$149,581,000, representing an increase of HK\$90,426,000 as compared with that of HK\$59,155,000 last year.

In 2004, the Group has achieved a remarkable results with a profit of HK\$164,997,000 and earnings per share of HK18.61 cents. It was mainly attributable to the operating profit generated from the shipping business of approximately HK\$104,285,000, the gain of approximately HK\$54,600,000 generated from the disposal of the carriers "Hai Ji" in the year and the operating profit of approximately HK\$73,047,000 generated from the property leasing.

### PRINCIPAL BUSINESS ACTIVITIES

1. February 2004: Completed the top-up placing of 100,000,000 shares and raised HK\$166,000,000 for the Company.
2. February 2004: Completed the acquisition of 36.75% equity interests of Xuzhou Western Co-generation and 29.4% equity interests of Funing Co-generation in Jiangsu Province.
3. August 2004: Entered into the subscription agreement to subscribe for 35% equity interests of an oils & grains company and a port company in Yang Jiang City.
4. October 2004: Entered into syndicated loan agreement amounted to HK\$300,000,000 with six bankers for a term of 3 years.
5. November 2004: Obtained an approval at an Extraordinary General Meeting to acquire 60% equity interests of Shanghai Puly Company and 100% equity interests of Hubei White Rose Hotel.
6. November 2004: Entered into the disposal agreements of two carriers namely "Hai Ji" and "Hai Kang".
7. December 2004: Obtained an approval at an Extraordinary General Meeting to change the name of the Company from "Continental Mariner Investment Company Limited" to "Poly (Hong Kong) Investments Limited".
8. December 2004: Completed the disposal of carrier "Hai Ji".

### PROPERTY INVESTMENT AND DEVELOPMENT

The overall property market of the People's Republic of China (the "PRC") underwent rapid development. Despite the indication that some of the markets were overheated, those in major cities were still considered under normal development. The Group's property projects were mainly located in key cities such as Beijing, Shanghai, Guangzhou and Wuhan, laying a sound foundation for the Group to capitalize on the tremendous business opportunities to be brought forth by the 2008 Beijing Olympic Game, 2010 Guangzhou Asian Games and 2010 World Expo in Shanghai.



## Management Discussion and Analysis

### Shanghai Stock Exchange Building

Shanghai Stock Exchange Building is the trading center for the PRC stock market and the place where the Shanghai Stock Exchange is located. As a landmark construction, it has enormous market influence and a substantial inherent appreciation potential.

As at the end of 2004, rental income generated from the six floors of Shanghai Stock Exchange Building held directly by the Group was approximately US\$2,113,000, representing an increase of 19% as compared to 2003. The occupancy rate of 2004 reached 92%, representing a rise of 10% as compared to 2003, while the average daily rental rate per sq.m. reached US\$0.48, representing an increase of 14% as compared to 2003. The Group also holds 40% equity interests in Shanghai Puly Real Estate Development Company Limited ("Shanghai Puly"). Shanghai Puly holds a floor area of 34,206 sq.m in Shanghai Stock Exchange Building, with an occupancy rate of 97% in 2004, representing a growth of 23% as compared to 2003, and the average daily rental rate per sq.m. was US\$0.5.

On 11th August, 2004, the Group entered into the Shanghai Properties Acquisition Agreement to acquire 60% equity interests in Shanghai Puly at a consideration of RMB258,000,000 (about HK\$241,210,000). After confirming the acquisition, the Group will hold approximately 47% of the gross area in Shanghai Stock Exchange Building.

### Poly Plaza

The Group owns 75% equity interests in Poly Plaza in Beijing, which is a comprehensive multi-functional complex comprising a Grade A office tower, a four-star ranking hotel tower, a theatre and other ancillary facilities. It enjoys excellent reputation in Beijing and is recognized as the "most preferred hotel chosen by the Beijing citizens" in 2004.

After completion of the renovation works of the hotel rooms and exterior wall of Poly Plaza in 2003, there has been significant increase in the income generated from hotel suites. The total turnover of Poly Plaza in 2004 reached RMB132,000,000 and a gross profit of RMB58,800,000 was realized. The average occupancy rate for the office building reached 94%. The average occupancy rate for the hotel suites was 80%, representing a rise of 5% as compared to 2003, and the room rates were US\$66 per day, representing a rise of 12% as compared to 2003.

### Beijing Jinrong Street office building project

The Group owns a 49% equity interests in Tong Sun Limited. The sole asset of Tong Sun Limited is its co-operative joint venture interests in a Grade A office building development project located at Jinrong Street, Xi Cheng District, Beijing, with a floor area of approximately 128,800 sq.m. In December 2003, Tong Sun Limited successfully disposed the whole office building to a sole purchaser at a total consideration of approximately RMB2 billion. The superstructure work of the building is completed in November 2004. It is expected that the office building will be completed and delivered to the purchaser by the end of 2005. It is also expected that the Group can fully recover the shareholders' loan and receive the dividend of preference shares amounting to HK\$297,000,000 in total after the completion of the disposal.



### **Guangzhou hotel and office building project**

The Group owns 51% interest in the entire project which occupies a site area of approximately 9,000 sq.m., with a gross floor area of approximately 129,000 sq.m. Its construction works have been carried out based on the standard of Grade A office buildings and international five-star hotels. The development is currently in good progress, and is expected to be completed in late 2006 at the earliest.

### **SHIPPING**

The shipping industry was on the rebound in 2004, and the Group recorded an operating profit of HK\$104,285,000 generated from the rental business throughout the year. To further integrate its core business, the Group disposed its bulk carriers at the right time. The “Hai Ji” carrier was delivered on 28th December, 2004 and realized a gain on disposal of HK\$54,637,000, and the “Hai Kang” carrier was delivered on 13th April, 2005.

### **INFRASTRUCTURE AND MANUFACTURING**

#### **Cogeneration Operations**

In February 2004, the Group had completed the acquisition of 36.75% equity interests of Xuzhou Western Co-generation and 29.4% equity interests of Funing Co-generation in Jiangsu Province. The purchase price of the two cogenerations was HK\$71,000,000 in total. Currently, the Group holds equity interests ranging from 29.4% to 51% in five cogenerations in the Yangtze River Delta, with an aggregate cogeneration capacity amounted to 165 MW.

At the beginning of 2005, the Group exercised the share options under the Guarantee Agreement, which is to acquire Peixian Mine-Site Environment Cogen-Power Co., Ltd. and Dongtai Suzhong Environmental Protection Co-generation Company Limited, to purchase an additional equity interest of 1.1% at a total consideration of HK\$1 respectively, leading the Group to become the 50.1% Controlling Shareholder in the above 2 cogeneration companies.

Due to the domestic price of coal had significantly increased by an average of 40% in 2004, despite additional profit contribution from the two new cogeneration power plants, profit attributable to the Group from this sector still decreased to HK\$32,881,000 for the year, representing a drop of approximately 23.4% from 2003.

#### **Polystar Digidisc Co. Ltd. (“Polystar”)**

The Group owns 66% equity interests in Polystar. In 2004, Polystar recorded a turnover of RMB72,000,000 and a profit of RMB11,280,000, representing an increase of 10% as compared to 2003. The actual output for the year of CDs and DVDs reached 45,610,000 pieces and 21,320,000 pieces, representing an increase of 51% and 80% respectively as compared with 2003. The expansion projects for the four disc duplication lines and one master disc production line in 2004 were all completed and production has been commenced. At present, the annual disc production capacity of Polystar has already reached 80,000,000 pieces. It is expected that the operating efficiency will be further enhanced in 2005.



## Management Discussion and Analysis

### OILS & GRAINS INDUSTRY AND PORT BUSINESS

In August 2004, the Group had entered into an agreement to subscribe for the equity interests in an oils & grains company and a port company in Yang Jiang City at a total consideration of US\$14,490,000. After the subscription, the Company holds 35% interests in the respective enlarged registered capital of the oils & grains company and the port company.

The principal business of the oils & gains company is extraction of soybean oil, and production and sale of soybean meals, soybean oil and related by-products. The construction of its factory was completed in late 2004, and it has already commenced production, having an annual production capacity of 1.2 million tons. The principal business of the port company is the operation of a deepwater port located in Yang Jiang City, having an annual handling capacity of approximately 1,000,000 tons of good. The construction of its port was completed in late 2004, and it has already commenced operation.

### STRATEGIC INVESTMENT

#### Insurance

The Group holds 48% equity interests in Winterthur Insurance (Asia) Limited (“Winterthur Insurance”). Winterthur Insurance, through its Shanghai branch, is principally engaged in non-life insurance businesses in the PRC. The major insurance business of Winterthur Insurance has resumed to profitability in 2004.

### FINANCIAL REVIEW

#### Liquidity and Capital Structure

As at 31st December, 2004, the shareholders’ funds of the Group amounted to HK\$2,570,157,000 (2003: HK\$2,329,020,000), while the net asset value per share was HK\$2.87 (2003: HK\$2.88). As at 31st December, 2004, the Group’s gearing ratio (on the basis of the amount of total liabilities less total bank balances divided by shareholders’ funds) was 27.1% (2003: 29.1%).

As at 31st December, 2004, the Group had an outstanding bank loans of HK\$490,253,000. In terms of maturity, the outstanding bank loans can be divided into HK\$279,061,000 (57%) to be repaid within one year, HK\$111,772,000 (23%) to be repaid after one year but within two years, HK\$99,420,000 (20%) to be repaid after two years but within five years. In terms of currency denomination, the outstanding bank loans can be divided into HK\$242,353,000 (49%) in Renminbi, HK\$42,900,000 (9%) in US dollars and HK\$205,000,000 (42%) in Hong Kong dollars.

43% of the bank borrowings of the Group are subject to fixed interest rates and the remaining 57% 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, 2004, the Group had a working capital of HK\$175,737,000 and total bank balances of HK\$471,879,000 (2003: HK\$97,277,000 and HK\$255,238,000 respectively). In February 2004, the Company successfully completed a top-up placing of 100,000,000 shares and raised HK\$166,000,000. Together with the 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 and conducted in Hong Kong dollars, Renminbi and US dollars. The Group maintains a prudent strategy in 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 pegged 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, 2004, bank deposits amounted to HK\$25,178,000 (2003: HK\$11,948,000), certain of the Group's investment properties of approximately HK\$702,400,000 (2003: approximately HK\$364,600,000), other property interests and motor vessels with an aggregate net book value of approximately HK\$997,119,000 (2003: HK\$1,158,220,000) and shares in certain subsidiaries and an associate were pledged to secure credit facilities granted to the Group.

### **Contingent Liabilities**

As at 31st December, 2004, the Company had given guarantees to certain banks in respect of credit facilities granted to certain subsidiaries of the Company and the amount utilised was approximately HK\$60,000,000 (2003: HK\$129,000,000).

In addition, as at 31st December, 2004, the Group had given guarantees of approximately HK\$14,300,000 (2003: HK\$14,300,000) 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, 2004, the Group employed about 1,200 staff with remuneration for the year amounted to HK\$58,900,000. The Group provides its staff with various benefits including year-ended double-pay, discretionary bonus, contributory provident fund, share options and medical insurance. Staff training is also provided as and when required.

### **PROSPECTS**

The management of the Group is still confident in the economic development of the PRC and the prospects of the Group's PRC projects. The Group will continually adopt an active but prudent operating strategy, strengthen its corporate governance, reduce the operating costs in order to further develop its principal business of property operations, optimize the business structure, enhance effectiveness and maximize the return to shareholders.



## Directors' Profile

### EXECUTIVE DIRECTORS

**WANG Jun**, aged 64, 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 Ping**, aged 59, 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").

**LI Shi Liang**, aged 59, has joined the Board since December 1999 and is the 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 a director of Yu Ming Investments Limited.

**CHEN Hong Sheng**, aged 55, has joined the Board since January 2004. He graduated from Beijing Aviation Institute in the PRC. Mr. Chen has been a director of China Poly since 1993. He is also the Deputy General Manager of China Poly and Chairman of Poly Technologies, Inc., a wholly-owned subsidiary of China Poly. He is very experienced in management and trading.

**William CHAN Tak Chi**, aged 56, has joined the Board since March 2003. He holds a Bachelor of Business Administration from Asia International Open University, Macau. He is the Deputy General Manager and a director of CITIC United Asia Investments Ltd., a wholly-owned subsidiary of CITIC. Mr. Chan has over 14 years' experience in investment management.

### NON-EXECUTIVE DIRECTOR

**Robert IP Chun Chung**, aged 48, has joined the Board since January 2001 and is a member of the Audit Committee of the Company. Mr. Ip is a practising solicitor.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**YAO Kang**, J.P., aged 80, has joined the Board since March 1999 and is the Chairman of the Audit Committee of the Company. Mr. Yao was a director of John Swire & Sons (Hong Kong) Limited and Cathy Pacific Airways Limited. He was also Chairman of Pafoong Insurance Co., (HK) Ltd. and Taikoo Royal Insurance Co., Ltd.

**LAM Tak Shing**, aged 44, 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 24 years' experience in accounting and finance field with wide exposure in different nature of business. Mr. Lam is an independent non-executive director of SMI Corporation Limited and Datronix Holdings Limited.



## Directors' Profile

**Wilson CHOY Shu Kwan**, aged 50, holds a Master degree in Business Administration and has over 26 years' extensive experience in financial business and investment management. Mr. Choy is the managing director of CITIC Capital Markets Limited. He is also an independent non-executive director of Shenyang Public Utility Holdings Company Limited and Renren Holdings Limited.





## Directors' Report

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December, 2004.

### CHANGE OF NAME

Pursuant to a special resolution passed at an extraordinary general meeting held on 28th December, 2004 and subject to the approval from Hong Kong Companies Registry, the name of the Company was changed from Continental Mariner Investment Company Limited 新海康航業投資有限公司 to Poly (Hong Kong) Investments Limited 保利(香港)投資有限公司 with effect from 12th January, 2005.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 48 to the financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2004 are set out in the consolidated income statement on page 25 of the annual report.

An interim dividend of HK\$0.02 per share, amounting to HK\$17,908,000, was paid to the shareholders during the year. The directors recommend a final dividend of HK\$0.03 per share to the shareholders on the register of members on 25th May, 2005.

### 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 and in note 30 to the financial statements. The directors considered that, as the Company's share 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 movements in the share capital of the Company are set out in note 30 to the financial statements.

### INVESTMENT PROPERTIES AND HOTEL PROPERTIES

At 31st December, 2004, 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\$720,964,000 and HK\$647,400,000 respectively. The surplus arising on revaluation of investment properties of HK\$23,752,000 has been credited to the consolidated income statement. The surplus arising on revaluation of hotel properties amounted to HK\$8,828,000, of which HK\$4,148,000 and HK\$3,510,000 (net of minority interests of HK\$1,170,000) have been credited to the consolidated income statement and the hotel properties revaluation reserve respectively.

Details of these and other movements in the investment properties and hotel properties of the Group for the year are set out in notes 15 and 16 to the financial statements respectively.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 17 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*)

Chan Tak Chi, William

Chen Hong Sheng

(appointed on 13th January, 2004)

Xie Da Tong

(resigned on 13th January, 2004)

### Non-executive director:

Ip Chun Chung, Robert

(redesignated from independent non-executive director on 14th July, 2004)

### Independent non-executive directors:

Yao Kang, J.P.

Choy Shu Kwan, Wilson

(appointed on 14th July, 2004)

Lam Tak Shing

Ip Chun Chung, Robert

(redesignated to non-executive director on 14th July, 2004)

In accordance with Article 99 of the Company's Articles of Association, Mr. Choy Shu Kwan, who was appointed as a director during the year will retire and being eligible, offers himself for re-election.

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

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

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.

The Company has received written confirmation from each of the independent non-executive directors concerning their independence and considered that the independent non-executive directors to be independent.

### DIRECTORS' INTERESTS IN SECURITIES

At 31st December, 2004, the interest of the directors of the Company in the underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

#### Long positions

##### *Share options of the Company*

<b>Name of director</b>	<b>Capacity</b>	<b>Number of options held</b>	<b>Number of underlying shares</b>
Wang Jun	Beneficial owner	15,500,000	15,500,000
He Ping	Beneficial owner	15,500,000	15,500,000
Li Shi Liang	Beneficial owner	5,000,000	5,000,000
		<hr/>	<hr/>
		36,000,000	36,000,000

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st December, 2004.

### SHARE OPTIONS

Particulars of the Company's share option scheme and movement in the Company's share options during the year are set out in note 31 to the financial statements.

### DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section of "Directors' interests in Securities" above, at no time during the year was the Company or any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

At 31st December, 2004, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following shareholders had notified the Company of their interests and short positions in the issued share capital of the Company.

### Long positions

#### Ordinary shares of HK\$0.5 each of the Company

Name of shareholder	Number of shares		Total number of shares	Percentage of the issued share capital of the Company
	Beneficial owner	Held by controlled corporation(s)		
Musical Insight Holdings Limited	44,658,800	–	44,658,800	4.99%
Wincall Holding Limited	55,428,000	–	55,428,000	6.19%
Congratulations Company Ltd.	169,845,000	–	169,845,000	18.97%
Source Holdings Limited	228,398,760	100,086,800 <i>(Note 1)</i>	328,485,560	36.69%
Ting Shing Holdings Limited	–	498,330,560 <i>(Note 2)</i>	498,330,560	55.65%
Ringo Trading Limited	41,574,476	498,330,560 <i>(Note 3)</i>	539,905,036	60.30%
China Poly Group Corporation	–	539,905,036 <i>(Note 4)</i>	539,905,036	60.30%
Chee Ying Cheung	71,992,000	–	71,992,000	8.04%

#### Notes:

- Source Holdings Limited is deemed by the SFO to be interested in 328,485,560 shares of the Company as a result of its direct holding of the shares and indirect holding of the shares through its wholly-owned subsidiaries, Musical Insight Holdings Limited and Wincall Holding Limited.
- Ting Shing Holdings Limited is deemed by the SFO to be interested in 498,330,560 shares as a result of its indirect holding of the shares through its subsidiaries, Source Holdings Limited and Congratulations Company Ltd.
- Ringo Trading Limited is deemed by the SFO to be interested in 539,905,036 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.
- China Poly Group Corporation owns 100% of Ringo Trading Limited and is accordingly deemed by the SFO 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 relevant interests or short positions in the issued share capital of the Company as at 31st December, 2004.

### CONNECTED TRANSACTIONS

Details of the discloseable connected transactions for the year are set out in note 46 to the financial statements. In the opinion of the directors who do not have any interest in these transactions, the transactions were carried out on normal commercial terms and in the ordinary and usual course of business of the Group.

The independent non-executive directors of the Company had reviewed the connected transactions set out in note 46(l)(A) to the financial statements and in their opinion:

1. the on-going Connected Transactions were entered into in the ordinary and usual course of business of the Company;
2. the on-going Connected Transactions were conducted on normal commercial terms;
3. the on-gong Connected Transactions were entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and
4. the aggregate amount of the rent payable under the respective agreements did not exceed the respective cap amount.

### 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, 2004 with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

### SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2004.



## **POST BALANCE SHEET EVENTS**

Details of significant post balance sheet events are set out in note 47 to the financial statements.

## **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, 19th April, 2005

# Deloitte.

## 德勤

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永安中心26樓

Deloitte Touche Tohmatsu  
26/F Wing On Centre  
111 Connaught Road Central  
Hong Kong

**TO THE SHAREHOLDERS OF  
POLY (HONG KONG) INVESTMENTS LIMITED 保利(香港)投資有限公司**  
(formerly known as 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 25 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 financial statements and to report our opinion solely to you, as a body, in accordance with section 141 of the Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public 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, 2004 and of the profit 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**  
*Certified Public Accountants*  
Hong Kong, 19th April, 2005

For the year ended 31st December, 2004 **Consolidated Income Statement**

	Notes	2004 HK\$'000	2003 HK\$'000
Turnover	4	567,190	473,590
Cost of sales		(275,302)	(308,551)
Gross profit		291,888	165,039
Other operating income		13,821	8,492
Administrative expenses		(162,236)	(128,493)
Amortisation of intangible assets		–	(399)
Amortisation of deferred licensing income		14,954	14,954
Surplus arising on revaluation of investment properties		23,752	24,636
Surplus (deficit) arising on revaluation of hotel properties		4,148	(4,148)
Impairment loss on investments in securities		(3,790)	(13,470)
Unrealised holding gain on other investments		300	1,798
Profit from operations	5	182,837	68,409
Finance costs	8	(16,985)	(20,230)
Gain on disposal of subsidiaries	9	–	21,205
Loss on disposal of an associate	10	(13,811)	–
Gain on disposal of discontinuing operations	11	54,637	–
Amortisation of goodwill arising on acquisition of associates		(12,714)	(12,688)
Share of results of associates		7,253	36,532
Allowance for loans to jointly controlled entities		(2,615)	(1,166)
Profit before taxation		198,602	92,062
Taxation	12	(9,271)	(5,626)
Profit before minority interests		189,331	86,436
Minority interests		(24,334)	(15,189)
Profit for the year		164,997	71,247
Dividends	13	71,614	–
Earnings per share	14		
– basic		18.61 cents	8.82 cents
– diluted		18.35 cents	8.82 cents

## Consolidated Balance Sheet At 31st December, 2004

	<i>Notes</i>	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
<b>Non-Current Assets</b>			
Investment properties	15	<b>720,964</b>	698,440
Hotel properties	16	<b>647,400</b>	647,400
Property, plant and equipment	17	<b>817,155</b>	825,912
Goodwill	18	<b>6,474</b>	–
Interest in associates	20	<b>467,380</b>	459,255
Interest in jointly controlled entities	21	–	3,659
Investment in a property development project	22	<b>210,000</b>	197,271
Investments in securities	23	<b>76,461</b>	79,166
Deposit paid for a hotel project	24	<b>63,428</b>	30,000
Deposit paid on acquisition of subsidiaries and associates	25	<b>167,489</b>	–
		<b>3,176,751</b>	2,941,103
<b>Current Assets</b>			
Stores		<b>444</b>	968
Inventories	26	<b>18,650</b>	7,559
Properties held for resale		–	15,600
Trade and other receivables	27	<b>253,471</b>	153,247
Short-term loans receivable		<b>21,500</b>	40,201
Investments in securities	23	<b>17,850</b>	50,396
Pledged bank deposits		<b>25,178</b>	11,948
Bank balances, deposits and cash		<b>446,701</b>	243,290
		<b>783,794</b>	523,209
<b>Current Liabilities</b>			
Trade and other payables	28	<b>321,250</b>	246,216
Property rental deposits		<b>4,702</b>	4,013
Taxation		<b>3,044</b>	3,028
Bank borrowings – due within one year	29	<b>279,061</b>	172,675
		<b>608,057</b>	425,932
<b>Net Current Assets</b>		<b>175,737</b>	97,277
		<b>3,352,488</b>	3,038,380

	<i>Notes</i>	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
<b>Capital and Reserves</b>			
Share capital	30	<b>447,699</b>	403,801
Reserves		<b>2,122,458</b>	1,925,219
		<b>2,570,157</b>	2,329,020
<b>Minority interests</b>			
		<b>221,505</b>	202,531
<b>Non-Current Liabilities</b>			
Bank borrowings – due after one year	29	<b>211,192</b>	248,503
Other borrowings	33	<b>30,290</b>	30,290
Loan from a fellow subsidiary	35	<b>168,224</b>	168,224
Loans from minority shareholders of subsidiaries	36	<b>106,262</b>	–
Deferred licencing income	37	<b>44,858</b>	59,812
		<b>560,826</b>	506,829
		<b>3,352,488</b>	3,038,380

The financial statements on pages 25 to 87 were approved and authorised for issue by the Board of Directors on 19th April, 2005 and are signed on its behalf by:

**HE Ping**  
*Vice-Chairman*

**LI Shi Liang**  
*Managing Director*



## Balance Sheet At 31st December, 2004

	Notes	2004 HK\$'000	2003 HK\$'000
<b>Non-Current Assets</b>			
Interest in subsidiaries	19	2,730,896	2,482,445
Investment in an associate	20	77,060	77,060
		<b>2,807,956</b>	2,559,505
<b>Current Assets</b>			
Other receivables		308	225
Investments in securities	23	2,850	10,122
Bank balances, deposits and cash		79,442	48,755
		<b>82,600</b>	59,102
<b>Current Liabilities</b>			
Trade and other payables		9,470	8,136
Bank borrowings – due within one year	29	45,000	39,000
		<b>54,470</b>	47,136
<b>Net Current Assets</b>			
		<b>28,130</b>	11,966
		<b>2,836,086</b>	2,571,471
<b>Capital and Reserves</b>			
Share capital	30	447,699	403,801
Reserves	32	1,658,382	1,602,794
		<b>2,106,081</b>	2,006,595
<b>Non-Current Liabilities</b>			
Bank borrowings – due after one year	29	160,000	44,000
Other borrowings	33	30,290	30,290
Amounts due to subsidiaries	34	539,715	490,586
		<b>730,005</b>	564,876
		<b>2,836,086</b>	2,571,471

**HE Ping**  
Vice-Chairman

**LI Shi Liang**  
Managing Director

For the year ended 31st December, 2004 **Consolidated Statement of Changes in Equity**

	Share capital	Share premium	Investment properties revaluation reserve	Hotel properties revaluation reserve	Exchange translation reserve	Capital redemption reserve	Goodwill reserve	PRC statutory reserves	Other capital reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>											
At 1st January, 2003	403,761	1,458,243	-	9,660	(557)	15,906	(58,892)	4,435	164,137	239,726	2,236,419
Exercise of share options	40	-	-	-	-	-	-	-	-	-	40
Premium arising on issue of shares	-	20	-	-	-	-	-	-	-	-	20
Deficit arising on revaluation	-	-	-	(9,660)	-	-	-	-	-	-	(9,660)
Share of reserve of an associate attributable to the Group	-	-	31,659	-	-	-	-	-	-	-	31,659
Realised on disposal of subsidiaries	-	-	-	-	22	-	-	(727)	-	-	(705)
Transfer	-	-	-	-	-	-	-	1,562	-	(1,562)	-
Profit for the year	-	-	-	-	-	-	-	-	-	71,247	71,247
At 31st December, 2003 and 1st January, 2004	403,801	1,458,263	31,659	-	(535)	15,906	(58,892)	5,270	164,137	309,411	2,329,020
Share of translation of reserve of overseas operations	-	-	-	-	(50)	-	-	-	-	-	(50)
Surplus arising on revaluation	-	-	-	3,510	-	-	-	-	-	-	3,510
Share of reserve of an associate attributable to the Group	-	-	1,206	-	-	-	-	-	-	-	1,206
Net gain (loss) not recognised in the income statement	-	-	1,206	3,510	(50)	-	-	-	-	-	4,666
Issue of shares	50,000	-	-	-	-	-	-	-	-	-	50,000
Exercise of share options	1,330	-	-	-	-	-	-	-	-	-	1,330
Premium arising on issue of shares	-	116,638	-	-	-	-	-	-	-	-	116,638
Share issue expenses	-	(3,229)	-	-	-	-	-	-	-	-	(3,229)
Share repurchased and cancelled:											
- Repurchase of ordinary shares	(7,432)	-	-	-	-	-	-	-	-	-	(7,432)
- Premium on shares repurchased	-	-	-	-	-	-	-	-	-	(14,219)	(14,219)
- Transfer	-	-	-	-	-	7,432	-	-	-	(7,432)	-
Transfer	-	-	-	-	-	-	-	884	-	(884)	-
Profit for the year	-	-	-	-	-	-	-	-	-	164,997	164,997
Dividends paid (note 13)	-	-	-	-	-	-	-	-	-	(71,614)	(71,614)
At 31st December, 2004	447,699	1,571,672	32,865	3,510	(585)	23,338	(58,892)	6,154	164,137	380,259	2,570,157

Included in goodwill reserve as at 31st December, 2004 is goodwill of HK\$54,528,000 (2003: HK\$54,528,000) and HK\$4,364,000 (2003: HK\$4,364,000) arising on acquisition of subsidiaries and associates respectively.

Included in other capital reserve as at 31st December, 2004 is deemed capital contribution arising on acquisition of a subsidiary of HK\$124,946,000 (2003: HK\$124,946,000) and an associate of HK\$38,605,000 (2003: HK\$38,605,000).

The People's Republic of China ("PRC") statutory reserves are reserves required by the relevant PRC laws applicable to the Group's PRC subsidiaries, associates and jointly controlled entities.

The accumulated profits of the Group at 31st December, 2004 include a profit of approximately HK\$43,404,000 (2003: HK\$39,342,000) retained by associates and a loss of approximately HK\$48,580,000 (2003: HK\$48,580,000) attributable to jointly controlled entities.

## Consolidated Cash Flow Statement For the year ended 31st December, 2004

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit from operations	<b>182,837</b>	68,409
Adjustments for:		
Depreciation and amortisation of property, plant and equipment	<b>77,041</b>	70,429
Amortisation of intangible assets	–	399
Amortisation of deferred licensing income	<b>(14,954)</b>	(14,954)
Impairment loss on investments in securities	<b>3,790</b>	13,470
Loss on disposal of investment properties	<b>326</b>	4,760
(Gain) loss on disposal of property, plant and equipment	<b>(61)</b>	351
Surplus arising on revaluation of investment properties	<b>(23,752)</b>	(24,636)
(Surplus) deficit arising on revaluation of hotel properties	<b>(4,148)</b>	4,148
Amortisation of goodwill	<b>341</b>	–
Release of negative goodwill	–	(879)
Unrealised holding gain on other investments	<b>(300)</b>	(1,798)
Operating cash flows before movements in working capital	<b>221,120</b>	119,699
Decrease (increase) in stores	<b>524</b>	(533)
(Increase) decrease in inventories	<b>(6,920)</b>	4,455
Decrease in properties held for resale	<b>15,600</b>	–
(Increase) decrease in trade and other receivables	<b>(77,422)</b>	58,614
Decrease (increase) in short-term loans receivable	<b>18,701</b>	(16,837)
Decrease in amounts due from associates	–	45,253
Decrease in other investments	<b>32,845</b>	25,444
Increase in trade and other payables	<b>74,878</b>	71,095
Increase in property rental deposits	<b>689</b>	880
Net cash generated from operations	<b>280,015</b>	308,070
PRC income tax paid	<b>(6,065)</b>	(3,821)
Hong Kong Profits Tax refunded	–	13
Interest paid	<b>(16,985)</b>	(20,230)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>256,965</b>	284,032

	Notes	2004 HK\$'000	2003 HK\$'000
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(199,315)	(135,008)
Deposit paid on acquisition of subsidiaries and associates		(167,489)	–
Capital contributions to associates		(73,340)	(128,000)
Deposit paid for a hotel project		(33,428)	(30,000)
(Increase) decrease in pledged bank deposits		(13,230)	74,672
Investment in a property development project		(12,729)	(197,271)
(Increase) decrease in bank deposits held for investment purpose		(4,131)	9,627
Proceeds from disposal of property, plant and equipment		194,576	822
Proceeds from disposal of an associate		15,036	–
Dividend received from an associate		13,943	7,000
Purchase of subsidiaries (net of cash and cash equivalents acquired)	38	4,297	–
Repayment from jointly controlled entities		1,044	15,844
Proceeds from disposal of investment properties		902	34,810
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	39	–	(89,075)
Additions to hotel properties		–	(56,028)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(273,864)</b>	<b>(492,607)</b>
<b>FINANCING ACTIVITIES</b>			
Borrowings raised		276,893	495,860
Proceeds from issue of shares		167,968	60
Advance from minority shareholder of subsidiaries		85,706	–
Repayment of borrowings		(207,818)	(371,238)
Dividend paid		(71,614)	–
Repurchase of shares		(21,651)	–
Dividend paid to a minority shareholder of a subsidiary		(10,076)	(5,300)
Share issue expenses		(3,229)	–
Dividend paid to a minority shareholder of a former subsidiary		–	(5,013)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>216,179</b>	<b>114,369</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>199,280</b>	<b>(94,206)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>240,969</b>	<b>335,175</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>440,249</b>	<b>240,969</b>
<b>ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS</b>			
Bank balances, deposits and cash		446,701	243,290
Less: Bank deposits held for investment purpose		(6,452)	(2,321)
		<b>440,249</b>	<b>240,969</b>

## 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, supply of electricity and gas, securities investment, financial services and general trading.

## 2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants ("HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether the new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

## 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 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 or associate at the date of acquisition.

Goodwill arising on acquisition 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 associate or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisition 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. Goodwill arising on the acquisition of a subsidiary is presented separately in the balance sheet.

On disposal of a subsidiary or associate, the attributable amount of unamortised goodwill/goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

#### **Negative goodwill**

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

Negative goodwill is presented as a deduction from assets. To the extent that such 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.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate.

#### **Investments in subsidiaries**

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

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

#### **Interest 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, interest in associates are stated at the Group's share of the net assets of the associates plus the goodwill less negative goodwill in so far as it has not already been written off or amortised, 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, investment in associates are stated at cost, as reduced by any identified impairment loss.

#### **Interest in 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 interest in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities plus goodwill in so far as it has not been amortised less any identified impairment loss. The Group's share of post-acquisition results of jointly controlled entities are included in the consolidated income statement.

#### **Investment in a property development project**

The Group's investment in a property development project is recorded at cost, as reduced by any identified impairment loss.

#### **Investments in securities**

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

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.

#### **Revenue recognition**

Sales of electricity are recognised when electricity is generated and transmitted to the power grids operated by the power grid companies.

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

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

#### **Revenue recognition** *(Continued)*

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.

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 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 Group's 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. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

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, are stated at cost less depreciation and amortisation and accumulated impairment losses.

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

Construction in progress is stated at cost which includes all development expenditure and other direct costs attributable to such projects. 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.

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.

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

#### **Property, plant and equipment** *(Continued)*

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:

Leasehold land	Over the term of the lease
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 sale proceeds and the carrying amount of the asset and is recognised in the income statement.

#### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its 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 loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standards, in which case the impairment loss is treated as a revaluation decrease under that standards.

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 standards, in which case the reversal of the impairment loss is treated as a revaluation increase under that standards.

#### **Stores**

Stores which represent lubricants and bunkers on board are stated at the lower of cost and net realisable value and is calculated using the first-in, first-out method.

#### **Properties held for resale**

Completed properties held for resale are classified under current assets and are stated at the lower of cost and net realisable value. Cost comprises the acquisition cost, borrowing costs capitalised and other direct costs attributable to such properties.



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

#### **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**

Payments to Group's defined contribution retirement benefits schemes and Mandatory Provident Fund Scheme are charged as expenses as they fall due. Payments made to state-managed retirement benefits schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

#### **Taxation**

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

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

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

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

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

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

#### **Taxation** *(Continued)*

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

#### **Foreign currencies**

Transactions in foreign currencies 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 operations outside Hong Kong 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.

#### 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:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Sales of electricity and gas	<b>151,738</b>	190,258
Vessel charterhire income	<b>149,581</b>	59,155
Sales of goods	<b>73,995</b>	51,756
Income from hotel operation	<b>68,760</b>	27,435
Rental income and property management	<b>68,542</b>	60,011
Sale proceeds from disposal of other investments	<b>18,079</b>	31,367
Interest income from investments	<b>17,773</b>	11,410
Sales of properties	<b>15,101</b>	35,696
Consultancy fees	<b>2,750</b>	–
Shipment handling fees	<b>597</b>	2,497
Dividend income	<b>274</b>	4,005
	<b>567,190</b>	473,590

## 5. PROFIT FROM OPERATIONS

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Staff costs		
– directors' emoluments ( <i>note 6</i> )	<b>1,806</b>	1,646
– other staff costs	<b>52,201</b>	58,056
– other staff's retirement benefits scheme contributions	<b>4,892</b>	4,399
	<b>58,899</b>	64,101
Amortisation of goodwill (included in administrative expenses)	<b>341</b>	–
Auditors' remuneration		
– current year	<b>1,428</b>	1,328
– underprovision in prior year	<b>90</b>	184
Depreciation and amortisation of property, plant and equipment	<b>77,041</b>	70,429
Loss on disposal of property, plant and equipment	–	351
Loss on disposal of investment properties	<b>326</b>	4,760
Operating lease rentals in respect of land and buildings	<b>1,779</b>	2,954
and after crediting:		
Gain on disposal of property, plant and equipment	<b>61</b>	–
Property rental income, net of outgoing of HK\$5,918,000 (2003: HK\$6,269,000)	<b>62,199</b>	51,617
Release of negative goodwill to other operating income	–	879

## 6. DIRECTORS' EMOLUMENTS

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Directors' fees:		
Executive	<b>80</b>	80
Non-executive	<b>40</b>	–
Independent non-executive	<b>230</b>	110
	<b>350</b>	190
Other emoluments of executive directors:		
Salaries and other benefits	<b>1,362</b>	1,362
Retirement benefits scheme contributions	<b>94</b>	94
	<b>1,456</b>	1,456
Total directors' emoluments	<b>1,806</b>	1,646

The emoluments of the directors were within the following bands:

	<b>2004</b> <i>Number of directors</i>	2003 <i>Number of directors</i>
Nil to HK\$1,000,000	<b>9</b>	8
HK\$1,000,001 to HK\$1,500,000	<b>1</b>	1

## 7. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals included one (2003: one) executive director of the Company, whose emoluments are included in note 6 above. The aggregate emoluments of the remaining four (2003: four) highest paid individuals are as follows:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries and other benefits	<b>3,460</b>	3,213
Retirement benefits scheme contributions	<b>181</b>	118
	<b>3,641</b>	3,331

The emoluments of the remaining four (2003: four) highest paid individuals were within the following bands:

	<b>2004</b> <i>Number of employees</i>	2003 <i>Number of employees</i>
Nil to HK\$1,000,000	<b>3</b>	3
HK\$1,000,001 to HK\$1,500,000	<b>1</b>	1

During the year, 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.

## 8. FINANCE COSTS

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest on bank and other borrowings:		
– wholly repayable within five years	<b>15,168</b>	17,633
– repayable after five years	<b>1,817</b>	2,597
	<b>16,985</b>	20,230

## 9. GAIN ON DISPOSAL OF SUBSIDIARIES

This represented the gain on disposal of the Group's entire interest in The NCHK Power (Shengzhou) Limited ("NCHK Power") and its 52% interest in Shengzhou Xinzhonggang Thermal Power Co., Ltd. ("Shengzhou Xinzhonggang") in 2003, for a total consideration of approximately HK\$66,884,000 after the realisation of negative goodwill of HK\$13,835,000 and other reserves of HK\$705,000.



## 10. LOSS ON DISPOSAL OF AN ASSOCIATE

This represents the loss on disposal of the Group's 20% equity interest in an unlisted associate, Skywin China Limited ("Skywin"), for a total consideration of approximately HK\$15,036,000 after the realisation of goodwill of HK\$24,509,000.

## 11. GAIN ON DISPOSAL OF DISCONTINUING OPERATIONS

In November 2004, the Group entered into agreements to dispose of two motor vessels, namely "Hai Ji" and "Hai Kang", for a consideration of US\$27,175,000 (equivalent to approximately HK\$211,965,000) and US\$25,175,000 (equivalent to HK\$196,365,000) respectively. The Group's shipping operation will then be ceased upon the completion of the sales of these two motor vessels. The disposal of motor vessel "Hai Ji" was completed during the year and resulted in a gain of HK\$54,637,000 to the Group.

The disposal of motor vessel "Hai Kang" was completed in April 2005.

During the year, shipping operation contributed HK\$104 million (2003: HK\$18 million) to the Group's net operating cash flows. The results of the shipping operation for the year and the carrying amounts of the assets and liabilities of shipping operation are disclosed in note 49.

## 12. TAXATION

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax	–	–
PRC income tax	<b>6,080</b>	4,470
	<b>6,080</b>	4,470
Share of taxation of associates	<b>3,191</b>	1,156
	<b>9,271</b>	5,626

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

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

Details of unrecognised deferred taxation are set out in note 40.

## 12. TAXATION *(Continued)*

The tax charge for the year can be reconciled to the profit before taxation per the income statement as follows:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit before taxation	<b>198,602</b>	92,062
Tax at PRC statutory tax rate of 33% (2003: 33%)	<b>65,539</b>	30,380
Tax effect of expenses not deductible for tax purpose	<b>34,929</b>	50,884
Tax effect of income not taxable for tax purpose	<b>(74,597)</b>	(20,836)
Tax effect of tax losses not recognised	<b>16,030</b>	16,489
Tax effect of utilisation of tax losses previously not recognised	<b>(8,404)</b>	(750)
Tax effect of share of results of associates and jointly controlled entities	<b>798</b>	(10,899)
Effect of tax exemptions granted to PRC subsidiaries	–	(41,513)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(25,024)</b>	(18,129)
Tax charge for the year	<b>9,271</b>	5,626

## 13. DIVIDENDS

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interim dividend of HK\$0.02 per share (2003: Nil)	<b>17,908</b>	–
2003 final dividend of HK\$0.06 per share (2002: Nil)	<b>53,706</b>	–
	<b>71,614</b>	–

A final dividend of HK\$0.03 (2003: HK\$0.06) per share has been proposed by the board of directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the year is based on the following data:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share – profit for the year	<b>164,997</b>	71,247
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>886,517,392</b>	807,527,241
Effect of dilutive potential ordinary shares in respect of share option	<b>12,697,607</b>	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>899,214,999</b>	807,527,241

No diluted earnings per share for the year ended 31st December, 2003 was presented since the exercise price of the Company's share options were higher than the average market price per share for that year.

## 15. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
<b>THE GROUP</b>	
VALUATION	
At 1st January, 2004	698,440
Surplus arising on revaluation	23,752
Disposals	(1,228)
<b>At 31st December, 2004</b>	<b>720,964</b>

The investment properties of the Group were revalued at 31st December, 2004 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.

## 15. INVESTMENT PROPERTIES *(Continued)*

The carrying value of investment properties comprises:

	<b>The GROUP</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Properties held under		
– long leases in Hong Kong	<b>55,000</b>	37,000
– medium-term land use rights in the PRC	<b>665,964</b>	661,440
	<b>720,964</b>	698,440

## 16. HOTEL PROPERTIES

	<i>HK\$'000</i>
<b>THE GROUP</b>	
VALUATION	
At 1st January, 2004	647,400
Transfer to property, plant and equipment	(8,828)
Surplus arising on revaluation	8,828
<b>At 31st December, 2004</b>	<b>647,400</b>

The hotel properties of the Group were revalued at 31st December, 2004 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\$8,828,000, of which HK\$4,148,000 and HK\$3,510,000 (net of minority interests of HK\$1,170,000) 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 approximately HK\$642.7 million (2003: HK\$651.5 million).

All the hotel properties are situated in the PRC and held under medium-term land use rights.

## 17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Motor vessels <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>							
COST OR VALUATION							
At 1st January, 2004	295,831	93,094	7,149	464,244	344,972	45,973	1,251,263
Acquired on acquisition of subsidiaries	-	-	19	-	-	-	19
Additions	14,307	4,844	4,659	-	580	174,925	199,315
Transfer	33	1,516	-	-	62,742	(64,291)	-
Transfer from hotel properties	-	8,828	-	-	-	-	8,828
Disposals	(7,593)	(2,817)	(374)	(231,226)	(802)	-	(242,812)
<b>At 31st December, 2004</b>	<b>302,578</b>	<b>105,465</b>	<b>11,453</b>	<b>233,018</b>	<b>407,492</b>	<b>156,607</b>	<b>1,216,613</b>
Comprising:							
At cost	159,046	96,637	11,453	233,018	407,492	156,607	1,064,253
At valuation – 1995	27,893	-	-	-	-	-	27,893
– 1997	115,639	-	-	-	-	-	115,639
– 2004	-	8,828	-	-	-	-	8,828
	302,578	105,465	11,453	233,018	407,492	156,607	1,216,613
DEPRECIATION AND AMORTISATION							
At 1st January, 2004	68,791	78,122	3,928	174,922	99,588	-	425,351
Provided for the year	19,236	8,487	2,624	17,343	29,351	-	77,041
Eliminated on disposals	(5,312)	(1,986)	(374)	(94,595)	(667)	-	(102,934)
<b>At 31st December, 2004</b>	<b>82,715</b>	<b>84,623</b>	<b>6,178</b>	<b>97,670</b>	<b>128,272</b>	<b>-</b>	<b>399,458</b>
NET BOOK VALUE							
<b>At 31st December, 2004</b>	<b>219,863</b>	<b>20,842</b>	<b>5,275</b>	<b>135,348</b>	<b>279,220</b>	<b>156,607</b>	<b>817,155</b>
At 31st December, 2003	227,040	14,972	3,221	289,322	245,384	45,973	825,912

**17. PROPERTY, PLANT AND EQUIPMENT** *(Continued)*

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
The net book value of land and buildings shown above comprises:		
Properties held under		
– long leases in Hong Kong	<b>120,690</b>	123,560
– medium-term land use rights in the PRC	<b>99,173</b>	103,480
	<b>219,863</b>	227,040

Certain land and buildings of the Group were valued at 31st March, 1995, 31st March, 1997 and 31st December, 2004 by independent firm of professional property valuers, on an open market value basis before being transferred from investment properties and hotel 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\$213,767,000 (2003: HK\$220,945,000).

All motor vessels are held for use under operating leases.

**18. GOODWILL**

	<b>THE GROUP</b>
	HK\$'000
COST	
Arising on acquisition of subsidiaries and balance at 31st December, 2004	6,815
AMORTISATION	
Provided for the year and balance at 31st December, 2004	341
NET BOOK VALUES	
<b>At 31st December, 2004</b>	<b>6,474</b>

The amortisation period adopted for goodwill is 20 years.



## 19. INTEREST IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	160,056	160,056
Amounts due from subsidiaries less impairment loss recognised	2,570,840	2,322,389
	<b>2,730,896</b>	2,482,445

Details of the Company's principal subsidiaries at 31st December, 2004 are set out in note 48.

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Except for an amount of HK\$14,872,000 (2003: HK\$14,146,000) at 31st December, 2004 which bears interest at commercial rates, the remaining balances are non-interest bearing. 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.

## 20. INTEREST IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	–	–	77,060	77,060
Share of net assets of associates	470,230	414,262	–	–
Goodwill ( <i>note a</i> )	594	44,993	–	–
Negative goodwill ( <i>note b</i> )	(3,444)	–	–	–
	<b>467,380</b>	459,255	<b>77,060</b>	77,060

## 20. INTEREST IN ASSOCIATES (Continued)

Notes:

### (a) Goodwill arising on acquisition of associates

	<b>THE GROUP</b> <i>HK\$'000</i>
<b>COST</b>	
At 1st January, 2004	69,936
Adjustments to measurement of consideration for acquisitions in prior periods	(8,662)
Goodwill arising on acquisition	620
Eliminated on disposal of interest in an associate	<u>(61,274)</u>
<b>At 31st December, 2004</b>	<b><u>620</u></b>
<b>AMORTISATION</b>	
At 1st January, 2004	24,943
Adjustments to charges made in previous periods	(866)
Provided for the year	12,714
Eliminated on disposal of interest in an associate	<u>(36,765)</u>
<b>At 31st December, 2004</b>	<b><u>26</u></b>
<b>CARRYING AMOUNT</b>	
<b>At 31st December, 2004</b>	<b><u>594</u></b>
At 31st December, 2003	<u>44,993</u>

The amortisation period adopted for goodwill ranges from 5 to 20 years.

### (b) Negative goodwill

	<b>THE GROUP</b> <i>HK\$'000</i>
<b>GROSS AMOUNT</b>	
Negative goodwill arising on acquisition in current year	1,716
Negative goodwill arising on adjustments to measurement of consideration for acquisitions in prior periods	<u>1,728</u>
<b>At 31st December, 2004</b>	<b><u>3,444</u></b>

Negative goodwill is released to the income statement over a period of 20 years.

**20. INTEREST IN ASSOCIATES** (Continued)

During the year, in light of the guaranteed profits granted by Golden Concord Holdings Limited ("GCH") pursuant to the sales and purchase agreements entered into between the Group and GCH, an adjustment was made to the purchase consideration for the acquisition of Dongtai Suzhong Environmental Protection Co-generation Company Limited ("Dongtai Power") and Peixian Mine-Site Environmental Cogen-power Co., Ltd. ("Peixian Power") in 2003. Accordingly, goodwill on acquisition of associates has been adjusted by HK\$7,796,000 and negative goodwill on acquisition of associates has been adjusted by HK\$1,728,000.

Details of the Group's associates at 31st December, 2004 are as follows:

Name of associate	Place of incorporation/ establishment	Attributable proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
		directly	indirectly	
Dongtai Power	PRC	–	49%	Provision of electricity and gas
Funing Golden Concord Environmental Protection Co-generation Co., Ltd. ("Funing Power")	PRC	–	29.4%	Provision of electricity and gas
Peixian Power	PRC	–	49%	Provision of electricity and gas
Shanghai Puly Real Estate Development Co. Ltd. ("Shanghai Puly")	PRC	–	40%	Property holding
Xuzhou Western Co-generation Power Co., Ltd. ("Xuzhou Power")	PRC	–	36.75%	Provision of electricity and gas
Winterthur Insurance (Asia) Limited ("Winterthur")	Hong Kong	48%	–	Insurance business
東方聯合音像發展有限公司 United East Audio & Video Co., Ltd.	PRC	–	31.7%	Manufacturing and wholesaling of compact disc, video compact disc and digital video disc

## 20. INTEREST IN ASSOCIATES *(Continued)*

The followings details have been extracted from the unaudited management accounts of Shanghai Puly, the Group's major associate:

Results for the year:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	<b>40,187</b>	51,717
Profit before taxation and after minority interests	<b>3,317</b>	59,286
Profit before taxation and after minority interests attributable to the Group	<b>1,327</b>	23,714

Financial position:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current assets	<b>573,901</b>	568,430
Current assets	<b>39,795</b>	14,818
Current liabilities	<b>(78,106)</b>	(76,105)
Non-current liabilities	<b>(46,564)</b>	(21,610)
Net assets	<b>489,026</b>	485,533
Net assets attributable to the Group	<b>195,610</b>	194,213

## 21. INTEREST IN JOINTLY CONTROLLED ENTITIES

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Share of net assets of jointly controlled entities	–	–
Loans to jointly controlled entities	<b>16,059</b>	17,103
Less: allowance for loans to jointly controlled entities	<b>(16,059)</b>	(13,444)
	<hr/> – <hr/>	<hr/> 3,659 <hr/>

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

Details of the Group's principal jointly controlled entity which was indirectly held by the Company at 31st December, 2004 are as follows:

<b>Name of jointly controlled entity</b>	<b>Place of establishment</b>	<b>Attributable proportion of nominal value of registered capital</b>	<b>Principal activities</b>
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

**22. INVESTMENT IN A PROPERTY DEVELOPMENT PROJECT**

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment cost	<b>210,000</b>	197,271

The amount represents the Group's investment cost in the development of a property project, China Securities Plaza in Beijing, the PRC (the "Project"). The investment cost comprises a 49% equity interest in Tong Sun Limited ("Tong Sun") of US\$49 (approximately HK\$382), shareholders loan to Tong Sun of HK\$165,000,000 (2003: HK\$152,271,000) and a loan of HK\$45,000,000 (2003: HK\$45,000,000) to New City (Beijing) Development Limited ("New City", New City and its subsidiaries are collectively referred to as the "New City Group"), which held 51% equity interest in Tong Sun. Tong Sun is a company incorporated in Samoa which holds 66% of the registered capital of Beijing Zhong Zheng Real Estate Development Co. Ltd. 北京中証房地產開發有限公司, a sino-foreign co-operative joint venture established in the PRC for the development of the Project.

In accordance with an agreement dated 8th May, 2003 ("Agreement"), the Group has agreed to subscribe for 49 new ordinary shares (which were subsequently reclassified as "Class A Ordinary Shares" in which the Group is entitled to receive a preferred dividend distribution) in Tong Sun at a subscription price of US\$49 and would advance an interest-free shareholders loan of HK\$165,000,000 to Tong Sun to finance exclusively the working capital of the Project.

In addition, the Group advanced a loan to New City ("New City loan") which bears interest at 6% per annum and is repayable in 2005 in accordance with the Agreement. The shareholders loan and New City loan are secured by shares in New City.

In accordance with the terms of the shareholders' agreement of Tong Sun, the dividend policy of Tong Sun is to distribute at the end of each financial year a cash dividend equivalent to the total amount of surplus/profits of that financial year available for distribution to its shareholders in accordance with the applicable laws of Samoa. Out of such distributable dividends, the Group will be entitled to receive a preferred dividend distribution of up to HK\$94,600,000 (together with the repayment of the shareholders loan and the New City loan (and interest accrued thereon)) in priority to the dividend payment to the New City Group of up to HK\$136,000,000. In addition, the loan advanced by the New City Group in the sum of approximately HK\$184,000,000 ("New City Group loan") will only be repaid to the New City Group after the full repayment and payment of the shareholders loan and the New City loan (and all interest accrued thereon) and the payment of the said distribution of HK\$94,600,000 to the Group.

After the payment in full of the said preferred dividend payments and the repayment of the shareholders loan, the New City loan (and all interest accrued thereon) to the Group and the repayment of the New City Group loan to the New City Group, any further distribution by Tong Sun will be distributed and paid to the Group and the New City Group in the proportion of 25% and 75% respectively.



## 23. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>THE GROUP</b>						
Equity securities:						
Listed in Hong Kong	75,526	78,231	2,850	10,396	78,376	88,627
Unlisted	-	-	15,935	40,935	15,935	40,935
Total	75,526	78,231	18,785	51,331	94,311	129,562
Market value of listed securities	44,066	44,981	2,850	10,396	46,916	55,377
Carrying amount analysed for reporting purposes as:						
Current	-	-	17,850	50,396	17,850	50,396
Non-current	75,526	78,231	935	935	76,461	79,166
	75,526	78,231	18,785	51,331	94,311	129,562
<b>THE COMPANY</b>						
Current investments:						
Listed equity securities	-	-	2,850	10,122	2,850	10,122
Market value of listed securities	-	-	2,850	10,122	2,850	10,122

During the year, the directors of the Company reviewed the carrying amount of certain investments securities in light of current economic conditions with reference to the market value of these securities. An impairment loss of HK\$3,790,000 (2003: HK\$13,470,000) has been recognised and charged to the income statement.

## 24. DEPOSIT PAID FOR A HOTEL PROJECT

The deposit was paid by the Group in connection with the development of a hotel project in the PRC.

## 25. DEPOSITS PAID ON ACQUISITION OF SUBSIDIARIES AND ASSOCIATES

The deposits were paid by the Group in connection with the acquisition of certain subsidiaries and associates which were engaged in property holding, production and sale of soyabean meals, soyabean oil and related by-products, and port operations. Included in the deposits are the amount of approximately HK\$93,458,000 and HK\$28,037,000 which bears interests at 10% and 17% per annum respectively. The related capital commitments are included in note 42.

## 26. INVENTORIES

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Raw materials	<b>18,010</b>	7,163
Work in progress	<b>127</b>	26
Finished goods	<b>513</b>	370
	<b>18,650</b>	7,559

All inventories were carried at cost.

## 27. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit periods ranging from 30 days to 90 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
0 to 30 days	<b>25,504</b>	29,774
31 to 90 days	<b>17,241</b>	9,667
More than 90 days	<b>10,498</b>	562
Total trade receivables	<b>53,243</b>	40,003
Receivables on disposal of subsidiaries	<b>47,664</b>	47,664
Other receivables	<b>152,564</b>	65,580
	<b>253,471</b>	153,247

## 28. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
0 to 30 days	15,520	10,817
31 to 90 days	10,030	908
More than 90 days	3,853	5,059
Total trade payables	29,403	16,784
Other payables	291,847	229,432
	<b>321,250</b>	<b>246,216</b>

## 29. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Bank loans				
– secured	387,684	390,240	180,000	83,000
– unsecured	102,569	30,938	25,000	–
	<b>490,253</b>	<b>421,178</b>	<b>205,000</b>	<b>83,000</b>
The maturity of the above loans is as follows:				
On demand or within one year	279,061	172,675	45,000	39,000
More than one year, but not exceeding two years	111,772	154,931	70,000	44,000
More than two years, but not exceeding five years	99,420	74,852	90,000	–
More than five years	–	18,720	–	–
	<b>490,253</b>	<b>421,178</b>	<b>205,000</b>	<b>83,000</b>
Less: Amounts due within one year shown under current liabilities	(279,061)	(172,675)	(45,000)	(39,000)
Amounts due after one year	<b>211,192</b>	<b>248,503</b>	<b>160,000</b>	<b>44,000</b>

**30. SHARE CAPITAL**

	Number of ordinary shares	Amount HK\$'000
<b>Ordinary share of HK\$0.50 each</b>		
<b>Authorised:</b>		
At 1st January, 2003, 31st December, 2003 and 31st December, 2004	1,200,000,000	600,000
<b>Issued and fully paid:</b>		
At 1st January, 2003	807,522,200	403,761
Exercise of share options	80,000	40
At 31st December, 2003	807,602,200	403,801
Issue of shares ( <i>note i</i> )	100,000,000	50,000
Exercise of share options ( <i>note ii</i> )	2,660,000	1,330
Shares repurchased and cancelled ( <i>note iii</i> )	(14,864,000)	(7,432)
<b>At 31st December, 2004</b>	<b>895,398,200</b>	<b>447,699</b>

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

- (i) On 5th February, 2004, arrangements were made for a private placement to independent private investors of 100,000,000 shares of HK\$0.50 each in the Company held by Ringo Trading Limited ("Ringo"), a substantial shareholder of the Company, at a price of HK\$1.66 per share representing a discount of approximately 7.78% to the closing market price of the Company's shares on 4th February, 2004.

Pursuant to a subscription agreement of the same date, Ringo subscribed for 100,000,000 new shares of HK\$0.50 each in the Company at a price of HK\$1.66 per share. The proceeds were used to provide additional working capital for the Group. These new shares rank *pari passu* with the then existing ordinary shares in all respects.

- (ii) 2,660,000 share options were exercised by the eligible option holders, resulting in the issue of 2,660,000 ordinary shares of HK\$0.50 each in the Company at a total consideration of HK\$1,968,400.

**30. SHARE CAPITAL** *(Continued)*

- (iii) 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\$	
March 2004	588,000	1.50	1.50	882
April 2004	8,773,000	1.52	1.45	12,863
May 2004	5,503,000	1.49	1.25	7,906
	<u>14,864,000</u>			<u>21,651</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.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during each of two years ended 31st December, 2004.

## **31. SHARE OPTION SCHEMES**

### **(a) Poly HK Old Scheme**

A share option scheme of the Company (the "Poly HK Old Scheme") was adopted on 16th June, 1993 for the primary purpose of providing incentives to directors and eligible employees and terminated on 28th May, 2003. Under the Poly HK Old Scheme, the Company could 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 had to 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 ten years after the date of grant. The maximum number of shares in respect of which options could 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 Poly HK Old Scheme.

The exercise price was 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.

The total number of shares in respect of which options could be granted to an eligible employee under the Poly HK Old Scheme was not permitted to exceed 25% of the aggregate number of share options granted by the Company at any point in time.

Upon termination of the Poly HK Old Scheme, no further options may be offered thereunder. However, in respect of the outstanding options, the provisions of the Poly HK Old Scheme shall remain in force. The outstanding options granted under the Poly HK Old Scheme shall continue to be subject to the provisions of the Poly HK Old Scheme.

At 31st December, 2004, the number of shares in respect of which options had been granted under the Poly HK Old Scheme and remained outstanding was approximately 5.8% (2003: 9.1%) of the shares of the Company in issue at that date.



**31. SHARE OPTION SCHEMES** (Continued)

**(a) Poly HK Old Scheme** (Continued)

The following table discloses details of the Company's options under the Poly HK Old Scheme held by employees (including directors) and movement in such holdings during the year:

Year ended 31st December, 2004	Date of grant	Exercise price per share HK\$	Outstanding at 1.1.2004	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2004
Category 1: Directors						
Wang Jun	3.9.1997	5.175	6,000,000	–	–	<b>6,000,000</b>
	5.6.1998	1.370	4,500,000	–	–	<b>4,500,000</b>
	30.11.2000	0.740	5,000,000	–	–	<b>5,000,000</b>
He Ping	3.9.1997	5.175	6,000,000	–	–	<b>6,000,000</b>
	5.6.1998	1.370	4,500,000	–	–	<b>4,500,000</b>
	30.11.2000	0.740	5,000,000	–	–	<b>5,000,000</b>
Li Shi Liang	30.11.2000	0.740	5,000,000	–	–	<b>5,000,000</b>
			<b>36,000,000</b>	–	–	<b>36,000,000</b>
Category 2: Former director						
Xie Da Tong (note)	3.9.1997	5.175	4,800,000	–	(4,800,000)	–
	5.6.1998	1.370	3,000,000	–	(3,000,000)	–
	30.11.2000	0.740	4,000,000	–	(4,000,000)	–
			<b>11,800,000</b>	–	<b>(11,800,000)</b>	–
Category 3: Employees						
Category 3: Employees	3.9.1997	5.175	14,400,000	–	(5,760,000)	<b>8,640,000</b>
	5.6.1998	1.370	5,000,000	–	(1,000,000)	<b>4,000,000</b>
	30.11.2000	0.740	6,695,000	(2,660,000)	(500,000)	<b>3,535,000</b>
			<b>26,095,000</b>	<b>(2,660,000)</b>	<b>(7,260,000)</b>	<b>16,175,000</b>
Total all categories			<b>73,895,000</b>	<b>(2,660,000)</b>	<b>(19,060,000)</b>	<b>52,175,000</b>

Note: Mr. Xie Da Tong resigned as a director of the Company with effect from 13th January, 2004.

**31. SHARE OPTION SCHEMES** (Continued)**(a) Poly HK Old Scheme** (Continued)

Year ended 31st December, 2003	Date of grant	Exercise price per share HK\$	Outstanding at 1.1.2003	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2003
Category 1: Directors						
Wang Jun	3.9.1997	5.175	6,000,000	–	–	<b>6,000,000</b>
	5.6.1998	1.370	4,500,000	–	–	<b>4,500,000</b>
	30.11.2000	0.740	5,000,000	–	–	<b>5,000,000</b>
He Ping	3.9.1997	5.175	6,000,000	–	–	<b>6,000,000</b>
	5.6.1998	1.370	4,500,000	–	–	<b>4,500,000</b>
	30.11.2000	0.740	5,000,000	–	–	<b>5,000,000</b>
Li Shi Liang	30.11.2000	0.740	5,000,000	–	–	<b>5,000,000</b>
Xie Da Tong	3.9.1997	5.175	4,800,000	–	–	<b>4,800,000</b>
	5.6.1998	1.370	3,000,000	–	–	<b>3,000,000</b>
	30.11.2000	0.740	4,000,000	–	–	<b>4,000,000</b>
			<b>47,800,000</b>	–	–	<b>47,800,000</b>
Category 2: Employees						
Category 2: Employees	3.9.1997	5.175	14,400,000	–	–	<b>14,400,000</b>
	5.6.1998	1.370	5,000,000	–	–	<b>5,000,000</b>
	30.11.2000	0.740	7,140,000	(80,000)	(365,000)	<b>6,695,000</b>
			<b>26,540,000</b>	(80,000)	(365,000)	<b>26,095,000</b>
Total all categories			<b>74,340,000</b>	(80,000)	(365,000)	<b>73,895,000</b>

No share options were granted under the Poly HK Old Scheme during both years.

The closing price of the Company's shares immediately before the date on which the options were exercised was ranging from HK\$1.25 to HK\$1.8 (2003: HK\$1.31).

Total consideration received for shares issued upon exercise of share options under the Poly HK Old Scheme during the year was HK\$1,968,400 (2003: HK\$59,200).

**31. SHARE OPTION SCHEMES** *(Continued)*

**(a) Poly HK Old Scheme** *(Continued)*

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

**(b) Poly HK New Scheme**

As approved by the shareholders of the Company at the annual general meeting held on 28th May, 2003, the Company has terminated the Poly HK Old Scheme and adopted a new share option scheme (the "Poly HK New Scheme"), which is in accordance with the revised Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") effective on 1st September, 2001.

The purpose of the Poly HK New Scheme is to provide incentives to eligible participants, and will expire on 27th May, 2013. According to the Poly HK New Scheme, the Board of Directors of the Company may grant options to (i) any director and employee of the Group or an entity in which the Group holds an interest ("Affiliate"); (ii) any customer, supplier, agent, partner, consultant, adviser or shareholder of or contractor to the Group or an Affiliate; (iii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, employee, customer, supplier, agent, partner, consultant, adviser or shareholder of or contractor to the Group or an Affiliate; or (iv) a company beneficially owned by any director, employee, consultant, customer, supplier, agent, partner, shareholder, adviser of or contractor to the Group or an Affiliate to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted.

Share option granted should be accepted within 28 days from the date of grant. The Board of Directors may at its absolute discretion determine the period during which a share option may be exercised, such period should expire no later than 10 years from the date of grant of the relevant options. The Board of Directors may also provides restrictions on the exercise of a share option during the period a share option may be exercised.

The exercise price is determined by the Board of Directors of the Company, and shall not be less than the highest of: (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share.

**31. SHARE OPTION SCHEMES** (Continued)**(b) Poly HK New Scheme** (Continued)

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Poly HK New Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of shares in issue from time to time.

The total number of shares issued and to be issued upon exercise of the options granted to each individual under the Poly HK New Scheme and any other share option schemes of the Company (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

No share options were granted under the Poly HK New Scheme during the year.

**32. RESERVES**

	<b>Share premium</b>	<b>Capital redemption reserve</b>	<b>Accumulated profits</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>THE COMPANY</b>				
At 1st January, 2003	1,458,243	15,906	114,165	1,588,314
Premium arising on issue of shares	20	–	–	20
Profit for the year	–	–	14,460	14,460
<hr/>				
At 31st December, 2003 and at 1st January, 2004	1,458,263	15,906	128,625	1,602,794
Share repurchased and cancelled:				
– Premium on shares repurchase	–	–	(14,219)	(14,219)
– Transfer	–	7,432	(7,432)	–
Premium arising on issue of shares	116,638	–	–	116,638
Share issue expenses	(3,229)	–	–	(3,229)
Profit for the year	–	–	28,012	28,012
Dividends paid (Note 13)	–	–	(71,614)	(71,614)
<hr/>				
<b>At 31st December, 2004</b>	<b>1,571,672</b>	<b>23,338</b>	<b>63,372</b>	<b>1,658,382</b>

The Company's reserves available for distribution to shareholders as at 31st December, 2004 represents its accumulated profits of approximately HK\$63.3 million (2003: HK\$128.6 million).

### 33. OTHER BORROWINGS

#### The Group and the Company

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.

### 34. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The subsidiaries have confirmed that they do not intent to demand repayment within one year of the balance sheet date. Accordingly, such amounts have been classified as non-current.

### 35. LOAN FROM A FELLOW SUBSIDIARY

#### The Group

The loan is unsecured, interest-free and repayable upon expiration of the joint venture term of Poly Plaza Limited ("PPL"), a subsidiary of the Company.

### 36. LOANS FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

#### The Group

The loans are unsecured, interest-free and have no fixed terms of repayment. The loans are unlikely to be repayable within one year of the balance sheet date and are therefore shown as non-current.

### 37. DEFERRED LICENCING INCOME

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Unamortised deferred licencing income brought forward	59,812	74,766
Less: Licence income recognised during the year	<b>(14,954)</b>	(14,954)
Unamortised deferred licencing income carried forward	<b>44,858</b>	59,812

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.

### 38. PURCHASE OF SUBSIDIARIES

During the year, the Group acquired a 51% equity interest in Poly Tianyu (Guangzhou) Limited which in turn holds 75% equity interest in Yue Tian Development Limited for a consideration of approximately HK\$9,000,000.

	<b>2004</b>
	<i>HK\$'000</i>
Net assets acquired:	
Property, plant and equipment	19
Inventories	4,171
Trade and other receivables	8,957
Bank balances and cash	13,297
Trade and other payables	(156)
Taxation payable	(1)
Loan from minority shareholder	(20,556)
Minority interests	(3,546)
	<hr/>
Net assets	2,185
Goodwill arising on the acquisition of subsidiaries	6,815
	<hr/>
	9,000
	<hr/>
Satisfied by:	
Cash consideration paid	9,000
	<hr/>
Net inflow of cash and cash equivalents in connection with the purchase of subsidiaries:	
Cash consideration paid	(9,000)
Bank balances and cash acquired	13,297
	<hr/>
	4,297
	<hr/>

The subsidiaries acquired during the year did not make any significant impact on the Group's results and cash flows for the year.



### 39. DISPOSAL OF SUBSIDIARIES

During the year ended 31st December, 2003, the Group disposed of its entire interest in NCHK Power and 52% interest in Shengzhou Xingzhonggang. The net assets of NCHK Power and Shengzhou Xingzhonggang at the date of disposal were as follows:

	2003 HK\$'000
Net assets disposed of:	
Property, plant and equipment	182,456
Inventories	9,340
Trade and other receivables	41,913
Bank balances and cash	108,295
Trade and other payables	(20,752)
Bank borrowings	(205,126)
Taxation payable	(319)
Minority interests	(55,588)
	<u>60,219</u>
Negative goodwill released	(13,835)
Exchange translation reserve realised on disposal	22
PRC statutory reserves realised on disposal	(727)
Gain on disposal of subsidiaries	21,205
	<u>66,884</u>
Satisfied by:	
Cash consideration received	19,220
Deferred consideration ( <i>note</i> )	47,664
	<u>66,884</u>
Net outflow of cash and cash equivalents in connection with the disposal of subsidiaries:	
Cash received	19,220
Bank balances and cash disposed of	(108,295)
	<u>(89,075)</u>

*Note:* The deferred consideration will be settled in cash by the purchaser on or before September 2005.

The subsidiary disposed of during the year ended 31st December, 2003 contributed approximately HK\$66,062,000 to the Group's turnover and approximately HK\$431,000 to the Group's profit from operations for that year.

#### 40. UNRECOGNISED DEFERRED TAXATION

At 31st December, 2004, the Group other than its subsidiaries in the PRC had unused tax losses of approximately HK\$73.9 million (2003: HK\$71.0 million) for offset against future assessable profits. Such unused tax losses may be carried forward indefinitely.

In addition, at 31st December, 2004, the Group's PRC subsidiaries had unused tax losses of approximately HK\$146.3 million (2003: HK\$126.3 million) for offset against future assessable profits. The maximum benefit from unutilised tax losses can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits.

The deferred tax assets arising from the above unused tax losses have not been recognised in the financial statements due to the unpredictability of future profit streams.

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

#### 41. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Operating lease rentals in respect of:		
– land and buildings	<b>1,779</b>	2,954
– satellite television channel	<b>5,460</b>	5,460

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

	<b>THE GROUP</b>			
	<b>Satellite television channel</b>		<b>Office and factory premises</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within one year	<b>5,460</b>	5,460	<b>2,133</b>	3,794
In the second to fifth year inclusive	<b>21,840</b>	21,840	<b>9,254</b>	9,939
Over five years	<b>16,380</b>	21,840	<b>18,606</b>	21,078
	<b>43,680</b>	49,140	<b>29,993</b>	34,811

Leases are negotiated for a term of fifteen years.

**41. OPERATING LEASE ARRANGEMENTS** (Continued)

The Group as lessor:

Property rental income earned during the year was approximately HK\$62.2 million (2003: HK\$51.6 million). Significant leases are negotiated for a lease term of 1 to 10 years.

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

	<b>THE GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>51,196</b>	50,487
In the second to fifth year inclusive	<b>46,430</b>	43,022
Over five years	<b>15,047</b>	21,736
	<b>112,673</b>	115,245

The Company had no operating lease arrangements at the balance sheet date.

**42. CAPITAL COMMITMENTS**

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
<b>THE GROUP</b>		
Capital expenditure contracted for but not provided in the financial statements in respect of		
– acquisition of property, plant and equipment	–	13,463
– acquisition of interests in unlisted companies	<b>266,094</b>	78,110
	<b>266,094</b>	91,573
Capital expenditure authorised but not contracted for in respect of		
– acquisition of interests in unlisted companies	–	71,000
	–	71,000

#### 43. CONTINGENT LIABILITIES

At 31st December, 2004, the Company had given guarantees to certain banks in respect of credit facilities granted to certain subsidiaries of the Company and the amount utilised was approximately HK\$60 million (2003: HK\$129 million).

In addition, at 31st December, 2004, the Group had given a guarantee of approximately HK\$14.3 million (2003: 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.

#### 44. PLEDGE OF ASSETS

At the balance sheet date, the net book value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follow:

	<b>The GROUP</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Hotel properties	<b>647,400</b>	647,400
Investment properties	<b>702,400</b>	364,600
Motor vessels	<b>135,348</b>	289,322
Land and buildings	<b>214,371</b>	221,498
Bank deposits	<b>25,178</b>	11,948
	<b>1,724,697</b>	1,534,768

At the balance sheet date, shares in certain subsidiaries and an associate were also pledged to secure credit facilities granted to the Group.

#### **45. RETIREMENT BENEFITS SCHEMES**

The Company and its subsidiaries in Hong Kong operate a defined contribution retirement benefits scheme for its qualified employees pursuant to the Occupational Retirement Schemes Ordinance. 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.

To comply with the Mandatory Provident Fund Schemes Ordinance (the "MPFO"), the Group also participates in a Mandatory Provident Fund scheme ("MPF Scheme") for its qualified employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the MPFO. 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 scheme.

The employees in the subsidiaries in the PRC are members of state-managed retirement benefits schemes operated by the PRC government. The subsidiaries are 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.

The total cost charged to income statement of approximately HK\$4,986,000 (2003: HK\$4,493,000) represents contributions payable to the scheme by the Group during the year.

**46. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES**

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

**(I) Connected Persons****(A) Transactions and balances with China Poly Group**

	<b>THE GROUP</b>	
	<b>2004</b> <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Transactions:		
Property rental income ( <i>note i</i> )	<b>28,127</b>	28,841
Manager remuneration paid ( <i>note ii</i> )	<b>13,464</b>	4,314
Property leasing commission and management fees paid ( <i>note iii</i> )	<b>1,981</b>	2,342
Proposed acquisition of subsidiaries and assumption of shareholders' loans ( <i>note iv</i> )	<b>387,746</b>	–
Balances:		
Trade and other receivables ( <i>note v</i> )	<b>11,142</b>	19,042
Trade and other payables ( <i>note v</i> )	<b>34,551</b>	27,445
Long term loan payable ( <i>note vi</i> )	<b>168,224</b>	168,224

*Notes:*

- (i) Of this rental income, an amount of HK\$21,917,000 (2003: HK\$12,173,000) is related to tenancy agreement which were previously approved by independent shareholders of the Company in extraordinary general meetings; and an amount of HK\$6,210,000 (2003: HK\$16,668,000) is related to tenancy agreements which were disclosed in the Company's press announcements in 2004.

The rentals were charged in accordance with the relevant tenancy agreements and the prevailing rent is equivalent or approximated to the market rentals as certified by an independent firm of professional property valuers at the time of these agreements were entered into.



**46. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES** *(Continued)*

**(I) Connected Persons** *(Continued)*

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

*Notes: (Continued)*

- (ii) 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.
- (iii) 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.
- (iv) On 11th August, 2004, the Group entered into a conditional agreement with China Poly Group to acquire the remaining 60% equity interest in Shanghai Puly at a consideration of RMB258,000,000 (equivalent to approximately HK\$242,254,000).

Also on 11th August, 2004, the Group entered into another conditional agreement with China Poly Group to acquire the entire interest in Hubei White Rose Hotel Company Limited at a consideration of RMB55,000,000 (equivalent to approximately HK\$51,643,000) and the assumption of shareholders' loans lent by China Poly Group of RMB99,949,000 (equivalent to approximately HK\$93,849,000).

Further details of the above transactions are set out in a circular of the Company dated 29th October, 2004. The acquisitions were approved by shareholders in an extraordinary general meeting held on 18th November, 2004 but were not yet completed as at the balance sheet date.

- (v) The balances are unsecured, interest-free and repayable on demand.
- (vi) Details of the terms are set out in note 35.

In addition, on 26th January, 2000, the Group and China Poly Group entered into an agreement (the "2000 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 for the operation of Poly Plaza provided by China Poly Group under the Management Agreement would be suspended for the two years ended 31st December, 2001, but would be extended to cover the two years following its expiry on 31st December, 2007 such that it will end on 31st December, 2009, based on the mechanism provided in the Management Agreement. The 2000 Supplemental Agreement was approved by shareholders in an extraordinary general meeting on 17th March, 2000.

**46. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES** *(Continued)*

**(I) Connected Persons** *(Continued)*

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

Furthermore, on 31st December, 2002, the Group and China Poly Group entered into an agreement (the "2002 Supplemental Agreement") supplemental to the Management Agreement and the 2000 Supplemental Agreement (hereafter collectively "Agreements") between the same parties. Pursuant to the 2002 Supplemental Agreement, the profit guarantee for the operation of Poly Plaza provided by China Poly Group under the Agreements would be suspended for the year ended 31st December, 2003, but would be extended to cover the next year following its expiry on 31st December, 2009 such that it will end on 31st December, 2010, based on the mechanism provided in the Agreements. The 2002 Supplement Agreement was approved by shareholders in an extraordinary general meeting on 30th December, 2002.

As at 31st December, 2004, China Poly Group had given a guarantee to a bank in respect of credit facilities utilised by the Group of HK\$30,938,000 (2003: HK\$30,938,000) which was counter-guaranteed by a subsidiary of the Company of HK\$20,419,000 (2003: HK\$20,419,000).

**(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 (before provision) at 31st December, 2004 amounted to approximately HK\$16 million (2003: HK\$17 million).

46. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(I) Connected Persons (Continued)

(C) Transactions and balances with minority shareholders of non-wholly owned subsidiaries

Connected persons	Nature of transactions/balances	THE GROUP	
		2004 HK\$'000	2003 HK\$'000
Suzhou Power and its affiliates (note i)	Trade and other payables by the Group (note ii)	49,147	70,012
	Acquisition of associates (note iii)	71,000	–
Minority shareholders of Poly Tianyu (Guangzhou) Limited	Shareholders' loan (note iv)	106,262	–

Notes:

- (i) Suzhou Power Investment Company ("Suzhou Power") is a 49% shareholder of Taicang Xinhaikang Xiexin Thermal Power Co., Ltd. ("Taicang Xinhaikang"), one of the Company's non-wholly owned subsidiaries.

Mr. Zhu Gong Shan ("Mr. Zhu") is a substantial shareholder of Suzhou Power holding 98% of the registered capital of Suzhou Power and 80% of the registered capital of GCH and he is also a director and an ultimate substantial shareholder of Taicang Xinhaikang, a 51% owned subsidiary of the Company. Mr. Zhu and his associates including GCH and Suzhou Power are therefore connected persons of the Company and accordingly, the aforesaid transactions and guarantees are deemed to be connected transactions for the Company which require approval from the shareholders of the Company.

- (ii) The balance is unsecured, interest-free and has no fixed repayment terms.
- (iii) On 15th January, 2004, the Group entered into an agreement with Suzhou Power to acquire 36.75% of the registered capital of Xuzhou Power for a total consideration of HK\$45,540,000.

Also, on 15th January, 2004, the Group entered into another agreement with Suzhou Power to acquire 29.40% of the registered capital of Funing Power for a total consideration of HK\$25,460,000.

The acquisitions of Xuzhou Power and Funing Power were guaranteed by GCH.

Further details of the above transactions are set out in a circular of the Company dated 6th February, 2004.

Pursuant to the approval of aforesaid transactions from Ringo and the waiver obtained from the Stock Exchange, the aforesaid transactions were completed in February 2004.

- (iv) Details of terms are set out in note 36.

#### 46. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

##### (II) Related party, other than Connected Persons

Related party	Nature of transactions/balances	THE GROUP	
		2004 HK\$'000	2003 HK\$'000
Winterthur	Interest expense <i>(note)</i>	1,817	1,817
	Other loan <i>(note)</i>	30,290	30,290
		<b>30,290</b>	<b>30,290</b>

Note: Details of terms are set out in note 33.

#### 47. POST BALANCE SHEET EVENTS

On 1st January 2005, the Group exercised its option to acquire from GCH a 1.1% equity interest in Peixian Power at a consideration of HK\$1 in accordance with an agreement dated 29th November, 2002 and a supplementary agreement dated 3rd January, 2005.

Also on 1st January 2005, the Group exercised its option to acquire from GCH a 1.1% equity interest in Dongtai Power at a consideration of HK\$1 in accordance with an agreement dated 29th November, 2002 and a supplementary agreement dated 3rd January, 2005.

Following the above acquisitions, Peixian Power and Dongtai Power have become subsidiaries of the Company.

#### 48. 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, 2004 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

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued and fully paid share capital/ registered capital	Principal activity
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
Elite Land Investment Limited	British Virgin Islands	US\$1	Investment holding
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
Grandful International Limited	Hong Kong	HK\$2	Investment holding
Green Island Developments Limited	British Virgin Islands	US\$1	Investment holding
Guangzhou Cheng Jian Tian Yu Real Estate Development Company Limited ("CJTY") ****	PRC	US\$22,500,000	Property development
High Praise Developments Limited	British Virgin Islands	US\$1	Investment holding
High Wealth International Limited	Hong Kong	HK\$2	Property investment
Honorlink Investments Limited	Hong Kong	HK\$2	Property investment

**48. PRINCIPAL SUBSIDIARIES** *(Continued)*

<b>Name of subsidiary</b>	<b>Place of incorporation/ establishment</b>	<b>Nominal value of issued and fully paid share capital/ registered capital</b>	<b>Principal activity</b>
Johnsbury Limited #	British Virgin Islands	US\$9,600,000	Investment holding
Master Chief Holdings Limited	British Virgin Islands	US\$1	Investment holding
Overseas Mariner Investment Company Limited #	Bermuda	US\$12,000	Investment holding
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
Prime Harvest Investment Limited	British Virgin Islands	US\$1	Investment holding
Propwood Limited	Hong Kong	HK\$2	Property investment
Red Empire Limited	British Virgin Islands	US\$1	Investment holding
Regal Step Investments Limited	Hong Kong	HK\$2	Property investment
Saneble Limited	Hong Kong	HK\$2	Property investment
Sky Fortune Development Overseas Corp.	British Virgin Islands	US\$1	Investment holding



**48. PRINCIPAL SUBSIDIARIES** (Continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued and fully paid share capital/ registered capital	Principal activity
Smart Best Investments Limited	Hong Kong	HK\$1	Investment holding
Starry Joy Properties Investment Ltd	British Virgin Islands	US\$1	Investment holding
Taicang Xinhaikang ***	PRC	RMB84,150,000	Provision of electricity and gas
The NCHK Power (Taicang) Limited	British Virgin Islands	US\$1	Investment holding
Top Choice Profits 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
Well United Investment Limited	British Virgin Islands	US\$1	Investment holding
Year Award Investment Limited	British Virgin Islands	US\$1	Investment holding

# These subsidiaries are directly held by the Company.

\* PPL is 75% indirectly held by the Company and it is a sino-foreign joint venture company established in the PRC for a renewal term of 50 years commencing 9th July, 2003.

\*\* Polystar is 66% indirectly held by the Company and is a sino-foreign joint venture company established in the PRC for a term of 20 years commencing 18th December, 2000.

\*\*\* Taicang Xinhaikang is 51% indirectly held by the Company and is a sino-foreign joint venture company established in the PRC for a term of 17 years commencing 17th March, 1999.

\*\*\*\* CJTY is 75% held by a 51% owned subsidiary of the Company and it is a sino-foreign joint venture company established in the PRC for a term of 16 years commencing 26th September, 2002.

**48. PRINCIPAL SUBSIDIARIES** *(Continued)*

The above table only lists those subsidiaries of the Company which, in the opinion of the directors, principally affected the results, assets or liabilities 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.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

## 49. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes, the Group's operations are organized into six operating divisions namely supply of electricity and gas, property investment and management, manufacturing and media, financial services, hotel and restaurant operations and shipping. These divisions are the basis on which the Group reports its primary segment information.

In November 2004, the shipping business was discontinuing (see note 11).

Segment information about these business is presented below:

#### For the year ended 31st December, 2004

	Continuing operations						Eliminations HK\$'000	Total HK\$'000
	Supply of electricity and gas HK\$'000	Property investment and management HK\$'000	Manufacturing and media HK\$'000	Financial services HK\$'000	Hotel and restaurant operations HK\$'000	Discontinuing operations Shipping HK\$'000		
<b>By principal activity</b>								
REVENUE								
External revenue	151,738	83,643	74,592	38,876	68,760	149,581	-	567,190
Inter-segment revenue*	-	6,900	-	4,848	-	-	(11,748)	-
Total revenue	151,738	90,543	74,592	43,724	68,760	149,581	(11,748)	567,190
CONTRIBUTION TO PROFIT (LOSS) FROM OPERATIONS								
	23,201	54,963	(3,387)	12,920	18,084	104,285	-	210,066
Central administrative expenses								(27,229)
Profit from operations								182,837
Finance costs								(16,985)
Loss on disposal of an associate	-	-	(13,811)	-	-	-		(13,811)
Gain on disposal of discontinuing operations	-	-	-	-	-	54,637		54,637
Amortisation of goodwill arising on acquisition of associates	(433)	-	(12,281)	-	-	-		(12,714)
Share of results of associates	10,113	3,317	(6,274)	97	-	-		7,253
Allowance for loans to jointly controlled entities	-	(2,615)	-	-	-	-		(2,615)
Profit before taxation								198,602
Taxation								(9,271)
Profit before minority interests								189,331
Minority interests								(24,334)
Profit for the year								164,997

\* Inter-segment revenue were charged at terms determined and agreed between group companies.

#### 49. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

##### Business segments *(Continued)*

*For the year ended 31st December, 2004 (Continued)*

	Continuing operations						Total HK\$'000
	Supply of electricity and gas HK\$'000	Property investment and management HK\$'000	Manufacturing and media HK\$'000	Financial services HK\$'000	Hotel and restaurant operations HK\$'000	Discontinuing operations Shipping HK\$'000	
ASSETS AND LIABILITIES							
AT 31ST DECEMBER, 2004							
ASSETS							
Segment assets	409,974	1,438,516	201,093	624,725	682,899	135,958	3,493,165
Interest in associates	197,333	195,609	1,338	73,100	-	-	467,380
Total assets	607,307	1,634,125	202,431	697,825	682,899	135,958	3,960,545
LIABILITIES							
Segment liabilities	(166,749)	(110,971)	(59,477)	(2,713)	(28,518)	(2,382)	(370,810)
Unallocated corporate liabilities							(798,073)
Total liabilities							(1,168,883)
OTHER INFORMATION							
Capital expenditure	62,012	117,039	20,264	-	-	-	199,315
Depreciation and amortisation	25,744	19,466	14,488	-	-	17,343	77,041
Amortisation of deferred licensing income	-	14,954	-	-	-	-	14,954
Impairment loss on investments in securities	-	-	1,084	2,706	-	-	3,790

**49. BUSINESS AND GEOGRAPHICAL SEGMENTS** (Continued)

**Business segments** (Continued)

*For the year ended 31st December, 2004* (Continued)

An analysis of the Group's turnover 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	25,417	392,192	149,581	567,190

Revenue from the Group's discontinuing shipping operations of HK\$149,581,000 (2003: HK\$59,155,000) was derived principally from the other parts of the world.

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.

	Hong Kong <i>K\$'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>
ASSETS				
Carrying amount of segment assets	762,818	2,593,796	136,551	3,493,165
Capital expenditure	55	199,260	–	199,315

#### 49. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

##### Business segments *(Continued)*

*For the year ended 31st December, 2003*

	Continuing operations						Eliminations HK\$'000	Total HK\$'000
	Supply of electricity and gas HK\$'000	Property investment and management HK\$'000	Manufacturing and media HK\$'000	Financial services HK\$'000	Hotel and restaurant operations HK\$'000	Discontinuing operations Shipping HK\$'000		
<b>By principal activity</b>								
REVENUE								
External revenue	190,258	95,707	54,253	46,782	27,435	59,155	-	473,590
Inter-segment revenue*	-	8,650	-	11,817	-	-	(20,467)	-
Total revenue	190,258	104,357	54,253	58,599	27,435	59,155	(20,467)	473,590
CONTRIBUTION TO PROFIT								
(LOSS) FROM OPERATIONS	26,029	38,756	(841)	10,405	(2,109)	17,552	-	89,792
Central administrative expenses								(21,383)
Profit from operations								68,409
Finance costs								(20,230)
Gain on disposal of subsidiaries	21,205	-	-	-	-	-	-	21,205
Amortisation of goodwill arising on acquisition of associates	-	-	(12,688)	-	-	-	-	(12,688)
Share of results of associates	16,942	23,714	(4,192)	68	-	-	-	36,532
Allowance for loans to jointly controlled entities	-	(1,166)	-	-	-	-	-	(1,166)
Profit before taxation								92,062
Taxation								(5,626)
Profit before minority interests								86,436
Minority interests								(15,189)
Profit for the year								71,247

\* *Inter-segment revenue were charged at terms determined and agreed between group companies.*



**49. BUSINESS AND GEOGRAPHICAL SEGMENTS** (Continued)

**Business segments** (Continued)

*For the year ended 31st December, 2003* (Continued)

	Continuing operations						Total HK\$'000
	Supply of electricity and gas HK\$'000	Property investment and management HK\$'000	Manufacturing and media HK\$'000	Financial services HK\$'000	Hotel and restaurant operations HK\$'000	Discontinuing operations Shipping HK\$'000	
ASSETS AND LIABILITIES							
AT 31ST DECEMBER, 2003							
ASSETS							
Segment assets	345,042	1,107,481	140,203	427,984	688,899	291,789	3,001,398
Interest in associates	144,508	194,214	47,484	73,049	-	-	459,255
Interest in jointly controlled entities	-	3,659	-	-	-	-	3,659
<b>Total assets</b>	<b>489,550</b>	<b>1,305,354</b>	<b>187,687</b>	<b>501,033</b>	<b>688,899</b>	<b>291,789</b>	<b>3,464,312</b>
LIABILITIES							
Segment liabilities	(139,439)	(48,490)	(43,865)	(8,370)	(63,876)	(6,001)	(310,041)
Unallocated corporate liabilities							(622,720)
<b>Total liabilities</b>							<b>(932,761)</b>
OTHER INFORMATION							
Capital expenditure	82,055	1,321	51,632	-	-	-	135,008
Depreciation and amortisation	25,391	17,879	10,142	-	-	17,416	70,828
Amortisation of deferred licensing income	-	14,954	-	-	-	-	14,954
Deficit arising on revaluation of hotel properties	-	-	-	-	4,148	-	4,148
Impairment loss on investments in securities	-	-	-	13,470	-	-	13,470

**49. BUSINESS AND GEOGRAPHICAL SEGMENTS** *(Continued)*

**Business segments** *(Continued)*

**For the year ended 31st December, 2003** *(Continued)*

An analysis of the Group's turnover by geographical location of its customers is presented below:

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>The PRC other than Hong Kong</b> <i>HK\$'000</i>	<b>Other parts of the world</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
REVENUE	<b>49,093</b>	<b>365,342</b>	<b>59,155</b>	<b>473,590</b>

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.

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>The PRC other than Hong Kong</b> <i>HK\$'000</i>	<b>Other parts of the world</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
ASSETS				
Carrying amount of segment assets	<b>427,428</b>	<b>2,282,181</b>	<b>291,789</b>	<b>3,001,398</b>
Capital expenditure	<b>629</b>	<b>134,379</b>	<b>–</b>	<b>135,008</b>

## Financial Summary

### RESULTS

	1.4.2000 to 31.12.2000 <i>HK\$'000</i>	1.1.2001 to 31.12.2001 <i>HK\$'000</i>	1.1.2002 to 31.12.2002 <i>HK\$'000</i>	1.1.2003 to 31.12.2003 <i>HK\$'000</i>	1.1.2004 to 31.12.2004 <i>HK\$'000</i>
Turnover	188,693	341,976	441,051	473,590	<b>567,190</b>
(Loss) profit from operations	(15,972)	35,169	(22,236)	68,409	<b>182,837</b>
Finance costs	(15,541)	(18,123)	(18,890)	(20,230)	<b>(16,985)</b>
Gain on disposal of subsidiaries	–	–	–	21,205	–
Loss on disposal of an associate	–	–	(43,164)	–	<b>(13,811)</b>
Gain on dilution of interest in a subsidiary to an associate	–	–	4,552	–	–
Gain on disposal of discontinuing operations	–	–	–	–	<b>54,637</b>
Amortisation of goodwill arising on acquisition of associates	–	–	(12,255)	(12,688)	<b>(12,714)</b>
Share of results of associates	(7,783)	(11,695)	706	36,532	<b>7,253</b>
Share of losses of jointly controlled entities	(8,163)	(6,199)	(7,175)	–	–
Allowance for loans to jointly controlled entities	–	–	(12,278)	(1,166)	<b>(2,615)</b>
(Loss) profit before taxation	(47,459)	(848)	(110,740)	92,062	<b>198,602</b>
Taxation	(1,692)	(1,919)	(5,682)	(5,626)	<b>(9,271)</b>
(Loss) profit before minority interests	(49,151)	(2,767)	(116,422)	86,436	<b>189,331</b>
Minority interests	(3,497)	(12,058)	(12,572)	(15,189)	<b>(24,334)</b>
(Loss) profit for the period/year	(52,648)	(14,825)	(128,994)	71,247	<b>164,997</b>

### ASSETS AND LIABILITIES

	31.12.2000 <i>HK\$'000</i>	31.12.2001 <i>HK\$'000</i>	31.12.2002 <i>HK\$'000</i>	31.12.2003 <i>HK\$'000</i>	31.12.2004 <i>HK\$'000</i>
Total assets	3,093,754	3,354,656	3,469,535	3,464,312	<b>3,960,545</b>
Total liabilities	(740,027)	(889,021)	(976,653)	(932,761)	<b>(1,168,883)</b>
Minority interests	(130,892)	(250,961)	(256,463)	(202,531)	<b>(221,505)</b>
Shareholders' funds	2,222,835	2,214,674	2,236,419	2,329,020	<b>2,570,157</b>

## Summary of the Group's Fleet At 31st December, 2004

Details of the Group's fleet in service, which are wholly-owned by the Group, at 31st December, 2004 are as follows:

<b>Vessel</b>	<b>Type</b>	<b>Flag</b>	<b>Year built</b>	<b>Dead weight tonnage MT</b>
Hai Kang	Bulk carrier	Hong Kong	1993	<u>70,000</u>

## Summary of Properties Held for Investment Purposes At 31st December, 2004

Details of the Group's properties held for investment purposes at 31st December, 2004 are as follows:

Location	Term of lease	Type of use	Group's interest
<i>INVESTMENT PROPERTIES:</i>			
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%
35 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%
<i>INVESTMENT PROPERTIES AND HOTEL PROPERTIES:</i>			
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, 2053	Hotel operation and commercial	75%