



Continental Mariner Investment Company Limited



Shanghai Stock Exchange Building

The image shows the Shanghai Stock Exchange Building, a modern skyscraper with a distinctive architectural design featuring a grid of steel and glass. It is set against a blue sky with light clouds.

Poly Theatre

The image shows the interior of a large, modern theatre with tiered seating. The seats are a mix of orange and blue, and the stage area is visible in the background.

Poly Plaza

The image shows a modern office building with a glass facade, identified as Poly Plaza. It is situated in an urban environment with other buildings and a clear sky.

Co-gen Power

The image shows an industrial facility, likely a power plant, with a tall chimney and various structures. The scene is set in an open area with a clear sky.

Shipping

The image shows a large cargo ship at sea, viewed from a low angle. The ship is dark-colored with a red hull, and the water is a deep blue.

Annual **2003** Report



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BOARD OF DIRECTORS
Executive Directors

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

Independent Non-Executive Directors

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

* *members of the Audit Committee*

COMPANY SECRETARY

HO Kwok Pang, George

REGISTERED OFFICE

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
 Corporation Limited
 BNP Paribas
 CITIC Ka Wah Bank Limited
 Bank of China, Beijing Branch

AUDITORS

Deloitte Touche Tohmatsu

INVESTOR RELATIONS CONSULTANT

Strategic Financial Relations (China) Limited
 Unit A, 29/F, Adminalty Centre I
 18 Harcourt Road
 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 Continental Mariner Investment Company Limited (the "Company") will be held at Aberdeen Room, Level 3, JW Marriott Hotel, Pacific Place, 88 Queensway, Hong Kong on Monday, 31st May, 2004 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, 2003.
2. To elect directors and to authorise the board of directors to fix their remuneration.
3. To appoint auditors and to authorise the board of directors to fix their remuneration.
4. To consider as special business and, if thought fit, pass with or without amendments the following resolutions as Ordinary Resolutions:

(A) **"THAT:**

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

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or by any applicable laws to be held; and

- (iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

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

(B) **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its own shares of HK\$0.50 each (the “Shares”), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the Shares to be purchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the said approval shall be limited accordingly; and
- (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 4(A) and 4(B) respectively set out in the notice convening this meeting being passed, the general mandate granted to the directors of the Company to allot, issue and deal with additional shares pursuant to the Resolution numbered 4(A) be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company purchased by the Company under the authority granted pursuant to the Resolution numbered 4(B), provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution.”

5. To consider as special business and, if thought fit, pass the following resolution as a Special Resolution:

“THAT the Articles of Association of the Company be and are hereby amended in the following manner:

Article 2

By adding the following at the end of the definition of “writing” or “printing” (immediately following the words “legible and non-transitory form”) in Article 2:

“and including where the representation takes the form of electronic display, provided that both the mode of service of the relevant document or notice and the member’s election comply with all applicable laws, rules and regulations.”

Article 16

By adding the following immediately following the words “within such other period” appeared on the third line of Article 16:

“, if shorter, as the Stock Exchange may from time to time determine or”

Article 96A

By deleting the words “Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of the laws of Hong Kong)” in the first and second lines of Article 96A and substituting therefor the words “Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)”.

New Article 85A

By inserting the following new Article 85A immediately after Article 85:

“85A. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.”

Article 106(A)(viii) and Article 122

By deleting the word “special” in the first line of Article 106(A)(viii) and Article 122 and substituting therefor the word “ordinary”.

Article 107(A)(ii)

By deleting the existing Article 107(A)(ii) in its entirety and substituting therefor the following:

- “107(A)(ii). (a) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associate(s) is materially interested, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum of such resolution of the Board but this prohibition shall not apply to any of the following matters:
- (i) any contract or arrangement for the giving by the Company or any of its subsidiaries of any security or indemnity to the Director or his associate(s) in respect of money lent by him or any of them or obligations incurred or undertaken by him or any of his associate(s) at the request of or for the benefit of the Company or any of its subsidiaries;
 - (ii) any contract or arrangement for the giving by the Company or any of its subsidiaries of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - (iii) any contract or arrangement by a Director or his associate(s) to subscribe for shares or debentures or other securities of the Company or any of its subsidiaries to be issued pursuant to any offer or invitation to the members or debenture holders or to the public which does not provide the Director or his associate(s) any privilege not accorded to any other members or debenture holders or to the public;
 - (iv) any contract, arrangement or proposal concerning an offer of the shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

NOTICE OF ANNUAL GENERAL MEETING

- (v) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company or any of its subsidiaries;
 - (vi) any contract, arrangement or proposal concerning any company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer, executive or a shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company provided that the Director and any of his associate(s) do not in aggregate own five (5) per cent. or more of such company;
 - (vii) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to Directors (or their associates) and employees of the Company or of any of its subsidiaries and does not give the Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to whom such scheme or fund relates.
- (b) A company shall be deemed to be a company in which a Director and any of his associate(s) in aggregate own five (5) per cent. or more if and so long as (but only if and so long as) a Director and his associate(s), (either directly or indirectly) are in aggregate the holders of or beneficially interested in five (5) per cent. or more of the issued shares of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his/their interest is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or any of his associate(s) as bare or custodian trustee and in which he has no beneficial interest, any shares comprised in a trust in which the interest of the Director or any of his associate(s) is in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.

- (c) Where a company in which a Director and any of his associate(s) in aggregate own five (5) per cent. or more is materially interested in a transaction, then that Director shall also be deemed materially interested in such transaction.
- (d) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director or his associate(s) (other than the chairman of the meeting) or as to the entitlement of any Director (other than such chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned and of his associate(s) as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman and of his associate(s) as known to such chairman has not been fairly disclosed to the Board.

Article 120

By deleting the existing Article 120 in its entirety and substituting therefor the following:

“No person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting, unless there shall have been lodged at the registered office of the Company a notice signed by a member (other than the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected. The period for lodgement of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and no later than seven days prior to the date of such general meeting.”

NOTICE OF ANNUAL GENERAL MEETING

Article 165

By deleting the existing Article 165 in its entirety and substituting therefor the following:

“165. Any notice or document (including “corporate communication” within the meaning ascribed thereto under the Listing Rules) from the Company to a member may be given in either the English language or the Chinese language, and shall, to the extent permitted or not prohibited by the Listing Rules or any applicable laws and in the manner as prescribed thereunder, be served in writing or by cable, telex or facsimile transmission message, or in other form of electronic transmission or communication, or by public announcement, and be served or delivered by the Company on or to any member personally, or by sending or transmitting it to the postal address, telex or facsimile transmission number, electronic number or address or website provided by the member, or by advertisement in newspapers in accordance with the Listing Rules, or by placing the notice or document on the Company’s website. In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders.”

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

Hong Kong, 30th April, 2004

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 biographical details of Mr. Chen Hong Sheng, Mr. Ip Chun Chung, Robert and Mr. Lam Tak Shing, directors who offer themselves for re-election, are provided in the section headed “Directors’ Profile” in this Annual Report. Mr. Ip Chun Chung, Robert and Mr. Lam Tak Shing are not related to any directors, senior management or substantial or controlling shareholders of the Company.

In the past two 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 2003, the Group overcame the adverse effects of SARS, captured the business opportunities for projects with strong cash inflow and attained remarkable results in operating efficiency. The Group resumed to profitability with the turnover reached HK\$473,590,000 for the year, representing an increase of 7.4% as compared to the previous year. The net profit reached HK\$71,247,000 and the earnings per share of HK8.82 cents, attaining the best level as compared to past few years.

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



Mr. WANG Jun
Chairman

The property investment accounts for 58% of the Group's total assets. The Group possesses important landmark constructions in key cities, namely Shanghai Stock Exchange Building in Shanghai, Poly Plaza in Beijing and the office building project at Beijing Jinrong Street. These projects are not affected by the overheated development of property market in certain areas. The average occupancy rate of floors of Shanghai Stock Exchange Building held by the Group reached 82% and the average daily rental rate of the units let or renewed during the year was approximately US\$0.5 per square meter bringing a profit of HK\$31,000,000 to the Group. During the SARS outbreak, the renovation works for the

hotel rooms and exterior wall of Poly Plaza were carried out and completed before the peak season of the Beijing tourism industry. The average occupancy rate and hotel rates of the hotel tower were higher than the similar ranking hotels in Beijing after the renovation. To further expand the asset scale of its core business, the Group actively identified new development projects in key cities. In June 2003, the Group made a investment contribution to the office building project which was under construction at Beijing Jinrong Street. In December 2003, the Group disposed the entire project at a consideration of RMB2 billion and it is expected that a cash return of RMB100 million can be achieved by the end of 2005. In December 2003, the Group acquired 51% equity interests in a development project of a five-star ranking hotel in Tian He District, Guangzhou, which is expected to commence operation in 2006 and such an initiative will further strengthen the Group's core business of property development.



Mr. HE Ping
Vice-Chairman

STRENGTHEN THE CASH FLOW MANAGEMENT TO ENSURE THE OPERATING EFFICIENCY

To ensure a healthy re-generation of cash flow, the Group effectively re-consolidated its investment on co-generation projects in 2003. With a view to concentrating its resources and the management for co-generations in Jiangsu Province, the Group disposed its equity interests in Shengzhou Co-generation in Zhejiang Province in late 2003 and a gain of approximately HK\$21,000,000 was realized. Given the persistent rapid economic growth in the PRC, a strong demand of power and gas was generated and the overall sales volume of power and gas of co-generation projects the Group acquired

increased approximately 1.42 times and 1.21 times respectively as compared to the previous year. Taking into account the profit of the two co-generations located in Jiangsu acquired in January 2003, the profit generated from the co-generation projects of the Group reached HK\$26,000,000, and together with gain on the disposal of Shengzhen Co-generation, such business segment has become a major cash flow generators for the year. At the same time, with the recovery of the shipping market in 2003, there was a substantial raise in the charterhire rates of bulk carriers, and hence an income of HK\$59,155,000 was generated and a profit of HK\$17,552,000 was generated. In addition, substantial charter contract for the whole year was finalized by January of 2004.

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

With the adverse impact of the financial turmoil in Asia and the Group's efforts in consolidating and optimizing assets restructure, the Group has not declared any dividend in prior years. In 2003, given a significant growth of operating profits achieved, and a strong cash basis maintained by the Group, the Group decided to resume the distribution of dividend for the current financial 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. However, for rewarding the long-term support of shareholders, the Group adopted a special dividend distribution strategy this year and a higher dividend rate is allowed. As a result, the directors recommend the payment of a final dividend of HK\$0.06 per share (equivalent to a dividend payout ratio of 77%) for 2003 to the shareholders whose name appear on the register of members of the Company on 28th May 2004. Subject to the approval of the shareholders at the annual general meeting, the final dividend will be paid on 3rd June 2004.

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 gas 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 2003. 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 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 2003, the Company and its subsidiaries (collectively the "Group") recorded a turnover of HK\$473,590,000, representing an increase of HK\$32,539,000 or approximately 7.4% as compared with the turnover of HK\$441,051,000 of the year 2002. The increase in turnover was mainly attributable to the full year contribution from the cogeneration projects for the year 2003 amounted to HK\$190,258,000, representing an increase of HK\$42,418,000 as compared with that of HK\$147,840,000 last year.

In 2003, the Group has resumed to profitability with a profit of HK\$71,247,000 and earnings per share of HK8.82 cents. It was mainly attributable to the contribution of approximately HK\$26,000,000 operating profit generated from the cogeneration projects during the year, the gain of approximately HK\$21,000,000 generated from the disposal of Shengzhou Power Plant, the profit of approximately HK\$31,000,000 generated from the operation of Shanghai Stock Exchange Building and the profit of approximately HK\$17,000,000 generated from shipping business.

REVIEW OF CORE BUSINESSES

Principal Business Activities

1. January 2003: Completed the acquisition of the 49% equity interests in two cogeneration power plants, namely Peixian Plant and Dongtai Plant in Jiangsu Province respectively.
2. June 2003: Completed the acquisition of the 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 128,800 sq.m..
3. December 2003: Confirmed the acquisition of the 51% equity interests in a development project of a five-star ranking hotel with a floor area of approximately 60,000 sq.m. located in Tian He District, Guangzhou.
4. December 2003: Completed the disposal of the 52% equity interests in Shengzhou Power Plant in Zhejiang Province at a premium.
5. December 2003: Confirmed the disposal of the whole Grade A office building located at Jinrong Street, Beijing and is expected that the office building will be completed and delivered to the purchaser by the end of 2005.
6. January 2004: Agreements were reached on the acquisitions of 36.75% equity interests of Xuzhou Western Co-generation and 29.4% equity interests of Funing Co-generation located in Jiangsu Province.
7. February 2004: Completed the top-up placing of 100,000,000 shares and raised HK\$166,000,000 for the Company.

REVIEW OF CORE BUSINESSES *(continued)*

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 and Guangzhou, laying a sound foundation for the Group to capitalize on the tremendous business opportunities to be brought forth by the 2008 Beijing Olympic Game and 2010 World Expo in Shanghai.

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 2003, rental income generated from the six floors of Shanghai Stock Exchange Building held directly by the Group was US\$1,770,000, representing an increase of US\$300,000 as compared to 2002. The occupancy rate of 2003 reached 82%, representing a rise of 8% as compared to 2002, while the average daily rental rate reached US\$0.42, representing an increase of 11% as compared to 2002. 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. In 2003, the occupancy rate for Shanghai Puly was 74% and the average daily rental rate was US\$0.55. Shanghai Puly sold a floor area of 1,223 sq. m. at a price of US\$2,880 per sq.m. The total contribution from Shanghai Stock Exchange Building was amounted to HK\$31,000,000.

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.

The renovation works for the exterior wall and hotel rooms of Poly Plaza were carried out during the outbreak of SARS in 2003 and completed before the peak season of the Beijing tourism industry. The turnover of Poly Plaza in 2003 reached RMB73,541,000 and a gross profit of RMB18,038,000 was realized. The average occupancy rate for the office building reached 91%. The occupancy rate for the hotel tower was 75% and the hotel rates were US\$59 per room each day after the renovation, which were 2% and 13% higher than the similar ranking hotels in Beijing.

REVIEW OF CORE BUSINESSES *(continued)*
Jinrong Street office building project

In June 2003, the Group completed the acquisition of 49% equity interests in Tong Sun Limited. Pursuant to the agreements, the Group has provided loans and capital amounted to HK\$197,000,000. 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. 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 project

In December 2003, the Group confirmed to acquire 51% equity interests in a development project of a five-star ranking hotel with a floor area of approximately 60,000 sq.m. located in Tian He District, Guangzhou. The Group is currently planning the details and related arrangements for that hotel development project, which is expected to commence operation in 2006.

Beijing Legend Garden Villas

In 2003, the Group gradually disposed 14 houses of Legend Garden Villas at reasonable market prices and realized approximately HK\$35,000,000. The Group still holds 6 houses and 37 apartments and will continue its efforts in selling the remaining units of the villas.

Cogeneration Operations

In January 2003, the Group acquired the 49% equity interests in each of the two cogenerations, namely Peixian Plant and Dongtai Plant in Jiangsu Province at the prices of HK\$77,400,000 and HK\$50,600,000 respectively. The net profits of the two cogenerations for 2003 were RMB23,474,000 and RMB13,762,000 respectively.

The expansion project of No. 3 power generator of Taicang Co-generation in Jiangsu Province, in which the Group holds 51% equity interests, was completed and the power generation capacity of which was increased by 50% to 45 megawatt. The power and gas sold for the year increased by 52% and 40% respectively, realizing a profit after tax of RMB26,014,000.

In line with the Group's strategic development, the Group disposed Shengzhou Power Plant in Zhejiang Province for a profit of HK\$21,000,000. On the other hand, the Group, after detailed evaluation, acquired two other cogenerations in Jiangsu Province, namely Xuzhou Western Co-generation (36.75%) and Funing Co-generation (29.4%) and the terms of which were similar to that of the acquisition of Peixian Plant and Dongtai Plant. It is expected that these acquisitions will bring an increase on the cash inflow of the Group.

REVIEW OF OTHER BUSINESSES

Shipping

With a complete rebound of shipping industry, the freight charges and the charterhire rates were gradually increased commencing from early this year. Various statistical data also scaled a historic height by the end of the year. It is mainly driven by the excess demand generated from the global economic recovery and the strong growth in the export trade of the PRC and the limited tonnage capacity caused by the limited supply of new bulk carriers.

The industry adopts an optimistic approach to the shipping market and expects that the momentum will continue to 2006. The rental income from the two carriers owned by the Group is expected to rise significantly in 2004. The daily charterhire rate for carrier "Hai Kang" increased from US\$14,500 to US\$35,000 commencing from March 2004 onwards for one year while the agreement of a daily charterhire rate of US\$20,500 for another carrier "Hai Ji" will be expired in late October 2004. It is expected that the charterhire rate will be increased upon the renewal of contract.

Cultural Media and New High Technology

Cultural media and new high technology were the business sections explored by the Group in seeking new points of growth. It demonstrates the Group's continued effort in securing the sustainable growth.

Polystar Digidisc Co. Ltd. ("Polystar")

The Group owns 66% equity interests in Polystar. In 2003, Polystar recorded a turnover of RMB53,000,000 and a profit of RMB10,270,000. The actual output for the year of CDs and DVDs reached 30,160,000 pieces and 11,790,000 pieces, representing an increase of 4.4% and 40.86% as compared with 2002 respectively. In 2003, the expansion projects amounted to RMB80,000,000 for the four disc duplication lines and one master disc production line, were completed and production has been commenced. At present, the annual disc production capacity of Polystar reached 80,000,000 pieces. It is expected that the operating efficiency will be further enhanced in 2004.

The Operation of New Satellite TV Cartoon Channel ("Cartoon Channel")

Cartoon Channel is a strategic move of the Group in exploring the cultural media industries in the PRC. The Cartoon Channel has a six-hour period of first-time broadcast and the remaining eighteen-hour of rotational broadcast on a daily basis. Contents of programs have been initially approved by the PRC administration of Radio Film and Television, laying a solid foundation for obtaining approval of the right to broadcast programs into authorized areas and channels in the PRC. The Group will carry on with its devotions in 2004 to improve broadcasting arrangement and program contents.

Value-added Software Business

The Group holds 25% equity interests in Skywin China Ltd. In 2003, its business was adversely affected by the outbreak of SARS. However, in accordance with the preference shares' dividend agreement entered upon the acquisition, the Group was still entitled to receive a dividend of RMB8,000,000, the same as the amount in 2002.

REVIEW OF OTHER BUSINESSES *(continued)*
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 aggregate premium income for 2003 was HK\$65,987,000, representing a 39.8% increase as compared with the previous year. The net income was approximately HK\$430,000.

FINANCIAL REVIEW
Liquidity and Capital Structure

As at 31st December 2003, the shareholders' funds of the Group amounted to HK\$2,329,000,000 (2002: HK\$2,236,000,000), while the net asset value per share was HK\$2.88 (2002: HK\$2.77). As at 31st December 2003, the Group's gearing ratio (on the basis of the amount of total liabilities less total bank balances divided by shareholders' funds) was 29.1% (2002: 24.3%)

As at 31st December 2003, the Group had an outstanding bank loans of HK\$421,178,000. In terms of maturity, the outstanding bank loans can be divided into HK\$172,675,000 (41%) to be repaid within one year, HK\$154,931,000 (37%) to be repaid after one year but within two years, HK\$74,852,000 (18%) to be repaid after two years but within five years, HK\$18,720,000 (4%) to repaid more than five years. In terms of currency denomination, the outstanding bank loans can be divided into HK\$233,658,000 (55%) in Renminbi, HK\$104,520,000 (25%) in US dollars and HK\$83,000,000 (20%) in Hong Kong dollars.

55% of the bank borrowings of the Group are subject to fixed interest rates and the remaining 45% 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 2003, the Group had a working capital of HK\$97,000,000 and total bank balances of HK\$255,000,000 (2002: HK\$252,000,000 and HK\$433,000,000 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.

FINANCIAL REVIEW *(continued)*

Pledge of Assets

As at 31st December 2003, bank deposits amounted to HK\$11,948,000 (2002: HK\$86,620,000), certain of the Group's investment properties of approximately HK\$364,600,000 (2002: approximately HK\$352,000,000), other property interests and motor vessels with an aggregate net book value of approximately HK\$1,158,220,000 (2002: HK\$1,330,239,000) and shares in certain subsidiaries and an associate were pledged to secure credit facilities granted to the Group.

Contingent Liabilities

As at 31st December 2003, the Group had given guarantees to certain banks in respect of banking facilities granted to certain subsidiaries of the Company and the amount utilized was approximately HK\$129,000,000 (2002: HK\$124,000,000).

In addition, as at 31st December 2003, the Group had given guarantees of approximately HK\$14,300,000 (2002: 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 2003, the Group employed about 1,000 staff with remuneration for the year amounted to HK\$64,101,000. 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 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.

EXECUTIVE DIRECTORS

WANG Jun, aged 63, 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 58, 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 58, 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 54, 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 55, 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 Shortridge Limited, a wholly-owned subsidiary of CITIC. Mr. Chan has over 13 years' experience in investment management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

YAO Kang, J.P., aged 79, 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.

Robert IP Chun Chung, aged 47, has joined the Board since January 2001 and is a member of the Audit Committee of the Company. Mr. Ip is a practising solicitor. He is also an independent non-executive director of Sen Hong Resources (Holdings) Limited.

LAM Tak Shing, aged 43, 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 23 years' experience in accounting and finance field with wide exposure in different nature of business. Mr. Lam is an independent non-executive director of Star East Holdings Limited and Datronix Holdings Limited.

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2003.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 47 to the financial statements.

RESULTS

The results of the Group for the year ended 31st December, 2003 are set out in the consolidated income statement on page 25 of the annual report.

The directors recommended the payment of a final dividend of HK\$0.06 per share for the year ended 31st December, 2003. The proposed final dividend will be paid on 3rd June, 2004 to the shareholders whose name appear on the register of members of the Company on 28th May, 2004, subject to the approval of the shareholders at the forthcoming annual general meeting.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 29 to the financial statements.

INVESTMENT PROPERTIES AND HOTEL PROPERTIES

At 31st December, 2003, 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\$698,440,000 and HK\$647,400,000 respectively. The surplus arising on revaluation of investment properties of HK\$24,636,000 has been charged to the consolidated income statement. The deficit arising on revaluation of hotel properties amounted to HK\$17,028,000, of which HK\$4,148,000 and HK\$9,660,000 (net of minority interests of HK\$3,220,000) have been charged 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 13 and 14 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 15 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*)

Chen Hong Sheng

(appointed on 13th January, 2004)

Chan Tak Chi, William

(appointed on 31st March, 2003)

Li Tong Zhou

(resigned on 31st March, 2003)

Xie Da Tong

(resigned on 13th January, 2004)

Independent non-executive directors:

Yao Kang, J.P.

Ip Chun Chung, Robert

Lam Tak Shing

In accordance with Article 99 of the Company's Articles of Association, Mr. Chen Hong Sheng, 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. Ip Chun Chung, Robert and Lam Tak Shing 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.

DIRECTORS' INTERESTS IN SECURITIES

At 31st December, 2003, the interest of the directors of the Company in the securities 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 of Hong Kong Limited (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

Name of director	Capacity	Number of options held	Number of underlying shares
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
Xie Da Tong	Beneficial owner	11,800,000	11,800,000
		47,800,000	47,800,000

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, 2003.

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 30 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, 2003, 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.

SUBSTANTIAL SHAREHOLDERS *(continued)*
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	5.53%
Wincall Holding Limited	55,428,000	–	55,428,000	6.86%
Congratulations Company Ltd.	169,845,000	–	169,845,000	21.03%
Source Holdings Limited	228,398,760	100,086,800 <i>(Note 1)</i>	328,485,560	40.67%
Ting Shing Holdings Limited	–	498,330,560 <i>(Note 2)</i>	498,330,560	61.70%
Ringo Trading Limited	39,447,476	498,330,560 <i>(Note 3)</i>	537,778,036	66.59%
China Poly Group Corporation	–	537,778,036 <i>(Note 4)</i>	537,778,036	66.59%

Notes:

1. 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 holdings of the shares through its wholly-owned subsidiaries, Musical Insight Holdings Limited and Wincall Holding Limited.
2. 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.
3. Ringo Trading Limited is deemed by the SFO to be interested in 537,778,036 shares as a result of its direct holding of the shares and indirect holding of the shares through its wholly-owned subsidiary, Ting Shing Holdings Limited.
4. China Poly Group Corporation owns 100% of Ringo Trading Limited and is accordingly deemed by the 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, 2003.

CONNECTED TRANSACTIONS

Details of the connected transactions for the year are set out in note 45 to the financial statements. In the opinion of the directors who do not have any interest in those discloseable connected transactions, these transactions were carried out on normal commercial terms and in the ordinary and usual course of business of the Group.

CONNECTED TRANSACTIONS *(continued)*

The independent non-executive directors of the Company had reviewed the connected transactions entered into between the Company and China Poly Group Corporation on 12th February, 2003 in respect of the renewal of leases of office tower and exhibition halls of Poly Plaza ("On-going Connected Transactions"). 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-going Connected Transactions were entered into in accordance with the terms of the agreements; and
4. the aggregate amount of the rent payable under the agreements did not exceed HK\$10 million or 3% of the net tangible asset value of the Company and its subsidiaries, whichever is higher.

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, 2003 with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 46 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, 20th April, 2004

德勤·關黃陳方會計師行

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

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**
**TO THE SHAREHOLDERS OF
CONTINENTAL MARINER INVESTMENT COMPANY LIMITED**

新海康航業投資有限公司
(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 25 to 83 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 Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

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

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2003 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
Hong Kong, 20th April, 2004

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Turnover	4	473,590	441,051
Cost of sales		(308,551)	(264,542)
Gross profit		165,039	176,509
Other operating income		8,492	8,565
Administrative expenses		(128,493)	(141,907)
Amortisation of intangible assets		(399)	(4,967)
Amortisation of deferred licensing income		14,954	14,954
Surplus (deficit) arising on revaluation of investment properties		24,636	(46,226)
Deficit arising on revaluation of hotel properties		(4,148)	–
Impairment loss on investments in securities		(13,470)	(20,419)
Unrealised holding gain (loss) on other investments		1,798	(8,745)
Profit (loss) from operations	5	68,409	(22,236)
Finance costs	8	(20,230)	(18,890)
Gain on disposal of subsidiaries	9	21,205	–
Loss on disposal of an associate	10	–	(43,164)
Gain on dilution of interest in a subsidiary to an associate	38	–	4,552
Amortisation of goodwill arising on acquisition of associates		(12,688)	(12,255)
Share of profits of associates		36,532	706
Share of losses of jointly controlled entities		–	(7,175)
Allowance for loans to jointly controlled entities		(1,166)	(12,278)
Profit (loss) before taxation		92,062	(110,740)
Taxation	11	(5,626)	(5,682)
Profit (loss) before minority interests		86,436	(116,422)
Minority interests		(15,189)	(12,572)
Profit (loss) for the year		71,247	(128,994)
Proposed final dividend – HK\$0.06 per share (2002: Nil)		54,520	–
Earnings (loss) per share	12	8.82 cents	(15.93) cents

	Notes	2003 HK\$'000	2002 HK\$'000
Non-Current Assets			
Investment properties	13	698,440	728,974
Hotel properties	14	647,400	608,400
Property, plant and equipment	15	825,912	944,962
Intangible assets	16	–	399
Negative goodwill	18	–	(14,714)
Interest in associates	19	459,255	283,908
Interest in jointly controlled entities	20	3,659	20,669
Investment in a property development project	21	197,271	–
Investments in securities	22	79,166	87,636
Deposit paid for a hotel project	23	30,000	–
		2,941,103	2,660,234
Current Assets			
Stores		968	435
Inventories	24	7,559	21,354
Properties held for resale		15,600	–
Trade and other receivables	25	153,247	206,110
Short-term loans receivable		40,201	23,364
Amounts due from associates	26	–	45,253
Investments in securities	22	50,396	79,042
Pledged bank deposits		11,948	86,620
Bank balances, deposits and cash		243,290	347,123
		523,209	809,301
Current Liabilities			
Trade and other payables	27	246,216	195,873
Property rental deposits		4,013	3,133
Taxation		3,028	2,685
Bank borrowings – due within one year	28	172,675	355,662
		425,932	557,353
Net Current Assets			
		97,277	251,948
		3,038,380	2,912,182

CONSOLIDATED BALANCE SHEET

At 31st December, 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Capital and Reserves			
Share capital	29	403,801	403,761
Reserves		1,925,219	1,832,658
		2,329,020	2,236,419
Minority interests		202,531	256,463
Non-Current Liabilities			
Bank borrowings – due after one year	28	248,503	146,020
Other borrowings	32	30,290	30,290
Loan from a fellow subsidiary	34	168,224	168,224
Deferred licencing income	35	59,812	74,766
		506,829	419,300
		3,038,380	2,912,182

The financial statements on pages 25 to 83 were approved and authorised for issue by the Board of Directors on 20th April, 2004 and are signed on its behalf by:

HE Ping
Vice-Chairman

LI Shi Liang
Managing Director

	Notes	2003 HK\$'000	2002 HK\$'000
Non-Current Assets			
Interest in subsidiaries	17	2,482,445	2,290,872
Investment in an associate	19	77,060	77,060
		2,559,505	2,367,932
Current Assets			
Trade and other receivables		225	318
Investments in securities	22	10,122	20,563
Bank balances, deposits and cash		48,755	55,684
		59,102	76,565
Current Liabilities			
Trade and other payables		8,136	5,501
Bank borrowings – due within one year	28	39,000	28,500
		47,136	34,001
Net Current Assets			
		11,966	42,564
		2,571,471	2,410,496
Capital and Reserves			
Share capital	29	403,801	403,761
Reserves	31	1,602,794	1,588,314
		2,006,595	1,992,075
Non-Current Liabilities			
Bank borrowings – due after one year	28	44,000	41,500
Other borrowings	32	30,290	30,290
Amounts due to subsidiaries	33	490,586	346,631
		564,876	418,421
		2,571,471	2,410,496

HE Ping
Vice-Chairman

LI Shi Liang
Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2003

	Share capital	Share premium	Investment properties re-valuation reserve	Hotel properties re-valuation reserve	Exchange translation reserve	Capital re-demption 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
THE GROUP											
At 1st January, 2002	405,392	1,458,243	-	9,660	2,546	14,275	(177,087)	4,167	125,532	371,946	2,214,674
Share of translation of reserve of overseas operations not recognised in income statement	-	-	-	-	(458)	-	-	-	-	-	(458)
Shares repurchased and cancelled:											
- Repurchase of ordinary shares	(1,631)	-	-	-	-	-	-	-	-	-	(1,631)
- Premium on shares repurchased	-	-	-	-	-	-	-	-	-	(137)	(137)
- Transfer	-	-	-	-	-	1,631	-	-	-	(1,631)	-
Transfer	-	-	-	-	-	-	-	1,458	-	(1,458)	-
Deemed capital contribution arising on acquisition of an associate from holding company	-	-	-	-	-	-	-	-	38,605	-	38,605
Realised on disposal of an associate	-	-	-	-	(2,645)	-	118,195	(1,190)	-	-	114,360
Loss for the year	-	-	-	-	-	-	-	-	-	(128,994)	(128,994)
At 31st December, 2002 and 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	403,801	1,458,263	31,659	-	(535)	15,906	(58,892)	5,270	164,137	309,411	2,329,020

Included in goodwill reserve as at 31st December, 2003 is goodwill of HK\$54,528,000 (2002: HK\$54,528,000) and HK\$4,364,000 (2002: HK\$4,364,000) arising on acquisition of subsidiaries and associates respectively.

Included in other capital reserve as at 31st December, 2003 is deemed capital contribution arising on acquisition of a subsidiary of HK\$124,946,000 (2002: HK\$124,946,000) and an associate of HK\$38,605,000 (2002: 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, 2003 include a profit of approximately HK\$39,342,000 (2002: HK\$4,068,000) retained by associates and a loss of approximately HK\$48,580,000 (2002: HK\$48,580,000) attributable to jointly controlled entities.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2003

	2003 HK\$'000	2002 HK\$'000
OPERATING ACTIVITIES		
Profit (loss) from operations	68,409	(22,236)
Adjustments for:		
Depreciation and amortisation of property, plant and equipment	70,429	67,541
Amortisation of intangible assets	399	4,967
Amortisation of deferred licensing income	(14,954)	(14,954)
Impairment loss on investments in securities	13,470	20,419
Loss on disposal of investment properties	4,760	–
Loss on disposal of property, plant and equipment	351	2,449
(Surplus) deficit arising on revaluation of investment properties	(24,636)	46,226
Deficit arising on revaluation of hotel properties	4,148	–
Release of negative goodwill	(879)	(879)
Unrealised holding (gain) loss on other investments	(1,798)	8,745
	<hr/>	<hr/>
Operating cash flows before movements in working capital	119,699	112,278
(Increase) decrease in stores	(533)	686
Decrease (increase) in inventories	4,455	(11,224)
Decrease (increase) in trade and other receivables	58,614	(97,106)
(Increase) decrease in short-term loans receivable	(16,837)	9,346
Decrease in amounts due from associates	45,253	–
Decrease in other investments	25,444	3,247
Increase (decrease) in trade and other payables	71,095	(33,992)
Increase (decrease) in property rental deposits	880	(341)
	<hr/>	<hr/>
Net cash generated from (used in) operations	308,070	(17,106)
PRC income tax paid	(3,821)	(5,165)
Hong Kong Profits Tax refunded	13	4
Interest paid	(20,230)	(18,890)
	<hr/>	<hr/>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	284,032	(41,157)

	Notes	2003 HK\$'000	2002 HK\$'000
INVESTING ACTIVITIES			
Investment in a property development project		(197,271)	–
Purchase of property, plant and equipment		(135,008)	(57,789)
Capital contributions to associates		(128,000)	–
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	37	(89,075)	–
Additions to hotel properties		(56,028)	–
Deposit paid for a hotel project		(30,000)	–
Decrease (increase) in pledged bank deposits		74,672	(58,040)
Proceeds from disposal of investment properties		34,810	–
Repayment from jointly controlled entities		15,844	7,532
Decrease in bank deposits held for investment purpose		9,627	27,052
Dividend received from an associate		7,000	13,084
Proceeds from disposal of property, plant and equipment		822	35,328
Proceeds from disposal of an associate		–	293,095
Dilution of interest in a subsidiary to an associate	38	–	6,087
Purchase of subsidiaries (net of cash and cash equivalents acquired)	36	–	(150,000)
Purchase of investments in securities		–	(20,868)
Advance to associates		–	(7,870)
Proceeds from disposal of investments in securities		–	216
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(492,607)	87,827
FINANCING ACTIVITIES			
Borrowings raised		495,860	365,532
Repayment of borrowings		(371,238)	(216,629)
Dividend paid to a minority shareholder of a subsidiary		(5,300)	(6,875)
Dividend paid to a minority shareholder of a former subsidiary		(5,013)	–
Proceeds from issue of shares		60	–
Repurchase of shares		–	(1,768)
NET CASH FROM FINANCING ACTIVITIES		114,369	140,260
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(94,206)	186,930
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		335,175	148,245
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		240,969	335,175
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS			
Bank balances, deposits and cash		243,290	347,123
Less: Bank deposits held for investment purpose		(2,321)	(11,948)
		240,969	335,175

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

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. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARD/CHANGES IN ACCOUNTING POLICY

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAPs") and Interpretations approved by the HKSA:

SSAP 12 (Revised)	Income Taxes
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Income taxes

In the current year, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit with limited exceptions.

The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment is required.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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.

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 a subsidiary at the date of acquisition over the cost of acquisition and is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

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

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 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 less any identified impairment loss. The Group's share of post-acquisition results of jointly controlled entities are included in the consolidated income statement.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

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 shareholders' rights to receive payment have been established.

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

Investment properties

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Hotel properties *(continued)*

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 or valuation 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

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

Intangible assets

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

Stores

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expense 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.

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

Foreign currencies

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

On consolidation, the assets and liabilities of the Group's 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*
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:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Sales of electricity and gas	190,258	147,840
Rental income and property management	60,011	72,732
Vessel charterhire income	59,155	46,680
Sales of goods	51,756	45,859
Sales of properties	35,696	–
Sale proceeds from disposal of investment securities	31,367	47,479
Income from hotel operation	27,435	55,717
Interest income from investments	11,410	8,929
Dividend income	4,005	6,202
Shipment handling fees	2,497	2,113
Management fees	–	7,500
	473,590	441,051

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

5. PROFIT (LOSS) FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit (loss) from operations has been arrived at after charging:		
Staff costs		
– directors' emoluments (note 6)	1,646	1,678
– other staff costs	58,056	57,659
– other staff's retirement benefits scheme contributions	4,399	4,057
	<u>64,101</u>	<u>63,394</u>
Auditors' remuneration		
– current year	1,328	1,144
– underprovision in prior year	184	349
Depreciation and amortisation of property, plant and equipment	70,429	67,541
Loss on disposal of property, plant and equipment	351	2,449
Loss on disposal of investment properties	4,760	–
Operating lease rentals in respect of land and buildings	2,954	3,486
and after crediting:		
Property rental income, net of outgoing of HK\$6,269,000 (2002: HK\$6,392,000)	51,617	57,272
Release of negative goodwill to other operating income	879	879
	<u><u>51,617</u></u>	<u><u>57,272</u></u>

6. DIRECTORS' EMOLUMENTS

	2003 HK\$'000	2002 HK\$'000
Directors' fees:		
Executive	80	80
Independent non-executive	110	110
	<u>190</u>	<u>190</u>
Other emoluments of executive directors:		
Salaries and other benefits	1,362	1,394
Retirement benefits scheme contributions	94	94
	<u>1,456</u>	<u>1,488</u>
Total directors' emoluments	<u><u>1,646</u></u>	<u><u>1,678</u></u>

6. DIRECTORS' EMOLUMENTS *(continued)*

The emoluments of the directors were within the following bands:

	2003 <i>Number of directors</i>	2002 <i>Number of directors</i>
Nil to HK\$1,000,000	8	7
HK\$1,000,001 to HK\$1,500,000	1	1

7. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals included one (2002: one) executive director of the Company, whose emoluments are included in note 6 above. The aggregate emoluments of the remaining four (2002: four) highest paid individuals are as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Salaries and other benefits	3,213	3,364
Retirement benefits scheme contributions	118	105
	3,331	3,469

The emoluments of the remaining four (2002: four) highest paid individuals were within the following bands:

	2003 <i>Number of employees</i>	2002 <i>Number of employees</i>
Nil to HK\$1,000,000	3	3
HK\$1,000,001 to HK\$1,500,000	1	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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

8. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on bank borrowings:		
– wholly repayable within five years	17,633	15,233
– repayable after five years	2,597	3,657
	<u>20,230</u>	<u>18,890</u>

9. GAIN ON DISPOSAL OF SUBSIDIARIES

This represents 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"), 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 represented the loss on disposal of the Group's entire 40.37% equity interest in a listed associate, Poly Investments Holdings Limited ("Poly") in 2002, for a total consideration of approximately HK\$293,095,000 after the realisation of goodwill of HK\$118,195,000 and other reserves of HK\$3,835,000 previously dealt with in the Group's reserves at the time of acquisition.

11. TAXATION

	2003 HK\$'000	2002 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	–	3
PRC income tax	4,470	5,292
	<u>4,470</u>	<u>5,295</u>
Share of taxation of associates	1,156	387
	<u>5,626</u>	<u>5,682</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year. In June 2003, the Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment.

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 39.

11. TAXATION *(continued)*

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

	2003		2002	
	HK\$'000	%	HK\$'000	%
Profit (loss) before taxation	<u>92,062</u>		<u>(110,740)</u>	
Tax at PRC Statutory Tax rate of 33% (2002: 33%)	30,380	33.0	(36,544)	33.0
Tax effect of expenses not deductible for tax purpose	50,884	55.2	79,050	(71.4)
Tax effect of income not taxable for tax purpose	(20,836)	(22.6)	(56,886)	51.4
Tax effect of tax losses not recognised	16,489	17.9	4,964	(4.5)
Tax effect of utilisation of tax losses not previously recognised	(750)	(0.8)	(837)	0.8
Tax effect of share of results of associates and jointly controlled entities	(10,899)	(11.8)	2,523	(2.3)
Effect of tax exemptions granted to PRC subsidiaries	(41,513)	(45.1)	(1,838)	1.7
Effect of different tax rates of subsidiaries operating in other jurisdictions	(18,129)	(19.7)	15,250	(13.8)
Tax expense and effective tax rate for the year	<u>5,626</u>	<u>6.1</u>	<u>5,682</u>	<u>(5.1)</u>

12. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the profit for the year of HK\$71,247,000 (2002: a loss of HK\$128,994,000) and on the weighted average number of 807,527,241 shares (2002: 809,685,704 shares) in issue during the year.

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

No diluted loss per share for the year ended 31st December, 2002 has been presented since the exercise of the Company's share options would result in a decrease in loss per share for that year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

13. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
THE GROUP	
VALUATION	
At 1st January, 2003	728,974
Surplus arising on revaluation	24,636
Disposals	(39,570)
Transfer to properties held for resale	(15,600)
	<u>698,440</u>
At 31st December, 2003	<u>698,440</u>

The investment properties of the Group were revalued at 31st December, 2003 on an open market value existing use basis by AA Property Services Limited, an independent firm of professional property valuers. The surplus arising on revaluation has been credited to the consolidated income statement.

The carrying value of investment properties comprises:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties held under		
– long leases in Hong Kong	37,000	40,000
– long-term land use rights in the PRC	–	312,000
– medium-term land use rights in the PRC	661,440	376,974
	<u>698,440</u>	<u>728,974</u>
	<u>698,440</u>	<u>728,974</u>

14. HOTEL PROPERTIES

	<i>HK\$'000</i>
THE GROUP	
VALUATION	
At 1st January, 2003	608,400
Additions	56,028
Deficit arising on revaluation	(17,028)
	<u>647,400</u>
At 31st December, 2003	<u>647,400</u>

The hotel properties of the Group were revalued at 31st December, 2003 on an open market value existing use basis by AA Property Services Limited, an independent firm of professional property valuers. The deficit arising on revaluation of hotel properties amounted to HK\$17,028,000, of which HK\$4,148,000 and HK\$9,660,000 (net of minority interests of HK\$3,220,000) have been charged 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\$651.5 million (2002: HK\$595.5 million).

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

15. 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>
THE GROUP							
COST OR VALUATION							
At 1st January, 2003	341,904	94,853	7,752	464,244	399,628	15,060	1,323,441
Additions	5,542	920	693	–	3,538	124,315	135,008
Transfer	3,706	–	–	–	70,289	(73,995)	–
Disposals	(928)	(2,679)	(1,296)	–	(5,109)	–	(10,012)
Disposal of subsidiaries	(54,393)	–	–	–	(123,374)	(19,407)	(197,174)
At 31st December, 2003	295,831	93,094	7,149	464,244	344,972	45,973	1,251,263
Comprising:							
At cost	152,299	93,094	7,149	464,244	344,972	45,973	1,107,731
At valuation – 1995	27,893	–	–	–	–	–	27,893
– 1997	115,639	–	–	–	–	–	115,639
	295,831	93,094	7,149	464,244	344,972	45,973	1,251,263
DEPRECIATION AND AMORTISATION							
At 1st January, 2003	57,349	76,186	4,211	157,506	83,227	–	378,479
Provided for the year	16,739	4,305	937	17,416	31,032	–	70,429
Eliminated on disposals	(478)	(2,369)	(1,220)	–	(4,772)	–	(8,839)
Eliminated on disposal of subsidiaries	(4,819)	–	–	–	(9,899)	–	(14,718)
At 31st December, 2003	68,791	78,122	3,928	174,922	99,588	–	425,351
NET BOOK VALUE							
At 31st December, 2003	227,040	14,972	3,221	289,322	245,384	45,973	825,912
At 31st December, 2002	284,555	18,667	3,541	306,738	316,401	15,060	944,962

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
The net book value of land and buildings shown above comprises:		
Properties held under		
– long leases in Hong Kong	123,560	126,430
– long-term land use rights in the PRC	–	50,369
– medium-term land use rights in the PRC	103,480	107,756
	<u>227,040</u>	<u>284,555</u>

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

If land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation and amortisation at approximately HK\$220,945,000 (2002: HK\$278,404,000).

All motor vessels are held for use under operating leases.

16. INTANGIBLE ASSETS

	HK\$'000
THE GROUP	
COST	
At 1st January, 2003 and at 31st December, 2003	<u>6,153</u>
AMORTISATION	
At 1st January, 2003	5,754
Amortisation for the year	399
At 31st December, 2003	<u>6,153</u>
NET BOOK VALUE	
At 31st December, 2003	<u><u>–</u></u>
At 31st December, 2002	<u><u>399</u></u>

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

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

17. INTEREST IN SUBSIDIARIES

	THE COMPANY	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Unlisted shares, at cost	160,056	160,056
Amounts due from subsidiaries less impairment loss recognised	2,322,389	2,130,816
	2,482,445	2,290,872

Details of the Company's principal subsidiaries at 31st December, 2003 are set out in note 47.

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

18. NEGATIVE GOODWILL

	<i>HK\$'000</i>
THE GROUP	
GROSS AMOUNT	
At 1st January, 2003	15,826
Eliminated on disposal of subsidiaries	(15,826)
At 31st December, 2003	–
RELEASED TO INCOME	
At 1st January, 2003	1,112
Released to other operating income in the year	879
Eliminated on disposal of subsidiaries	(1,991)
At 31st December, 2003	–
CARRYING AMOUNT	
At 31st December, 2003	–
At 31st December, 2002	14,714

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

19. INTEREST IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	–	–	77,060	77,060
Share of net assets of associates	414,262	234,889	–	–
Goodwill arising on acquisition of associates	44,993	49,019	–	–
	459,255	283,908	77,060	77,060

	THE GROUP HK\$'000
Goodwill arising on acquisition of associates	
COST	
At 1st January, 2003	61,274
Goodwill arising on acquisition	8,662
At 31st December, 2003	69,936
AMORTISATION	
At 1st January, 2003	12,255
Provided for the year	12,688
At 31st December, 2003	24,943
CARRYING AMOUNT	
At 31st December, 2003	44,993
At 31st December, 2002	49,019

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

19. INTEREST IN ASSOCIATES *(continued)*

Details of the Group's associates at 31st December, 2003 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 Suzhong Environmental Protection Co-generation Company Limited ("Dongtai Power")	PRC	–	49%	Provision of electricity and gas
Peixian Mine-Site Environmental Cogen-power Co., Ltd. ("Peixian Power")	PRC	–	49%	Provision of electricity and gas
Shanghai Puly Real Estate Development Co. Ltd. ("Shanghai Puly")	PRC	–	40%	Property holding
Skywin China Limited	British Virgin Islands	–	25%	Investment holding, development and supply of software for telecommunication systems
Winterthur Insurance (Asia) Limited ("Winterthur")	Hong Kong	48%	–	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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

19. 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/period:

	1.1.2003 to 31.12.2003 HK\$'000	31.7.2002 (date of acquisition) to 31.12.2002 HK\$'000
Turnover	<u>51,717</u>	<u>10,779</u>
Profit before taxation and after minority interests	<u>59,286</u>	<u>5,328</u>
Profit before taxation and after minority interests attributable to the Group	<u>23,714</u>	<u>2,131</u>

Financial position:

	2003 HK\$'000	2002 HK\$'000
Non-current assets	568,430	467,290
Current assets	14,818	92,700
Current liabilities	(76,105)	(187,386)
Non-current liabilities	<u>(21,610)</u>	<u>(22,383)</u>
Net assets	<u>485,533</u>	<u>350,221</u>
Net assets attributable to the Group	<u>194,213</u>	<u>140,088</u>

20. INTEREST IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Share of net assets of jointly controlled entities	–	–
Loans to jointly controlled entities	17,103	32,947
Less: allowance for loans to jointly controlled entities	<u>(13,444)</u>	<u>(12,278)</u>
	<u>3,659</u>	<u>20,669</u>

20. INTEREST IN JOINTLY CONTROLLED ENTITIES *(continued)*

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, 2003 are as follows:

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

21. INVESTMENT IN A PROPERTY DEVELOPMENT PROJECT

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Investment cost	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\$152,271,000 and a loan of 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. At 31st December, 2003, the Group has advanced HK\$152,271,000 to Tong Sun.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

21. INVESTMENT IN A PROPERTY DEVELOPMENT PROJECT (continued)

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.

22. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
THE GROUP						
Equity securities:						
Listed in Hong Kong	78,231	86,701	10,396	34,042	88,627	120,743
Unlisted	–	–	40,935	45,935	40,935	45,935
Total	78,231	86,701	51,331	79,977	129,562	166,678
Market value of listed securities	44,981	44,020	10,396	34,042	55,377	78,062
Carrying amount analysed for reporting purposes as:						
Current	–	–	50,396	79,042	50,396	79,042
Non-current	78,231	86,701	935	935	79,166	87,636
	78,231	86,701	51,331	79,977	129,562	166,678

22. INVESTMENTS IN SECURITIES *(continued)*

	Investment securities		Other investments		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
THE COMPANY						
Current investments:						
Listed equity securities	–	–	10,122	20,563	10,122	20,563
Market value of listed securities	–	–	10,122	20,563	10,122	20,563

During the year, the directors of the Company reviewed the carrying amount of certain investments in securities in light of current economic conditions with reference to the market value of these securities. An impairment loss of HK\$13,470,000 (2002: HK\$20,419,000) has been recognised and charged to the income statement.

23. 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.

24. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Raw materials	7,163	20,675
Work in progress	26	305
Finished goods	370	374
	7,559	21,354

All inventories were carried at cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

25. 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:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 to 30 days	29,774	28,904
31 to 90 days	9,667	16,542
More than 90 days	562	6,479
Total trade receivables	40,003	51,925
Receivables on disposal of subsidiaries	47,664	–
Receivables on disposal of an associate (Note)	–	100,000
Other receivables	65,580	54,185
	<u>153,247</u>	<u>206,110</u>

Note: The receivables on disposal of an associate in 2002 was secured by 29.5% shareholding in Poly which was fully repaid during the year.

26. AMOUNTS DUE FROM ASSOCIATES

The amounts were unsecured, interest-free and were fully repaid during the year.

27. TRADE AND OTHER PAYABLES

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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
0 to 30 days	10,817	7,004
31 to 90 days	908	753
More than 90 days	5,059	6,099
Total trade payables	16,784	13,856
Other payables	229,432	182,017
	<u>246,216</u>	<u>195,873</u>

28. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank loans				
– secured	390,240	371,434	83,000	70,000
– unsecured	30,938	130,248	–	–
	<u>421,178</u>	<u>501,682</u>	<u>83,000</u>	<u>70,000</u>
The maturity of the above loans is as follows:				
On demand or within one year	172,675	355,662	39,000	28,500
More than one year, but not exceeding two years	154,931	34,320	44,000	19,500
More than two years, but not exceeding five years	74,852	66,460	–	22,000
More than five years	18,720	45,240	–	–
	<u>421,178</u>	<u>501,682</u>	<u>83,000</u>	<u>70,000</u>
Less: Amounts due within one year shown under current liabilities	<u>172,675</u>	<u>355,662</u>	<u>39,000</u>	<u>28,500</u>
Amounts due after one year	<u>248,503</u>	<u>146,020</u>	<u>44,000</u>	<u>41,500</u>

The bank borrowings bear interest at prevailing market rates and repayable in accordance with the terms in the respective loan agreements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

29. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary share of HK\$0.50 each		
Authorised:		
At 1st January, 2002, 31st December, 2002 and 31st December, 2003	1,200,000,000	600,000
Issued and fully paid:		
At 1st January, 2002	810,783,200	405,392
Shares repurchased and cancelled (Note i)	(3,261,000)	(1,631)
At 31st December, 2002	807,522,200	403,761
Exercise of share options (Note ii)	80,000	40
At 31st December, 2003	807,602,200	403,801

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

- (i) During the year ended 31st December, 2002, 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\$	
February 2002	144,000	0.800	0.750	113
July 2002	858,000	0.690	0.650	570
August 2002	411,000	0.680	0.600	263
September 2002	348,000	0.510	0.440	162
October 2002	1,500,000	0.445	0.440	660
	<u>3,261,000</u>			<u>1,768</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.

- (ii) During the year ended 31st December, 2003, 80,000 share options were exercised at a subscription price of HK\$0.74 per share, resulting in the issue of 80,000 ordinary shares of HK\$0.50 each in the Company.

29. SHARE CAPITAL *(continued)*

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, 2003.

30. SHARE OPTION SCHEMES
(a) CMIC Old Scheme

The share option scheme of the Company (the "CMIC Old Scheme") was adopted on 16th June, 1993 for the primary purpose of providing incentives to directors and eligible employees. Prior to the original expiry date of 15th June, 2003 of the CMIC Old Scheme, the shareholders of the Company passed an ordinary resolution to terminate the CMIC Old Scheme on 28th May, 2003. Under the CMIC 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 CMIC 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 could be granted to an eligible employee under the CMIC Old Scheme was not permitted to exceed 25% of the aggregate number of share options granted by the Company at any point in time.

At 31st December, 2003, the number of shares in respect of which options had been granted under the CMIC Old Scheme and remained outstanding was approximately 9.1% (2002: 9.2%) of the shares of the Company in issue at that date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

30. SHARE OPTION SCHEMES (continued)

(a) CMIC Old Scheme (continued)

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

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	-	-	6,000,000
	5.6.1998	1.370	4,500,000	-	-	4,500,000
	30.11.2000	0.740	5,000,000	-	-	5,000,000
He Ping	3.9.1997	5.175	6,000,000	-	-	6,000,000
	5.6.1998	1.370	4,500,000	-	-	4,500,000
	30.11.2000	0.740	5,000,000	-	-	
Li Shi Liang	30.11.2000	0.740	5,000,000	-	-	5,000,000
Xie Da Tong	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
			<u>47,800,000</u>	<u>-</u>	<u>-</u>	<u>47,800,000</u>
Category 2: Employees						
Category 2: Employees	3.9.1997	5.175	14,400,000	-	-	14,400,000
	5.6.1998	1.370	5,000,000	-	-	5,000,000
	30.11.2000	0.740	7,140,000	(80,000)	(365,000)	6,695,000
			<u>26,540,000</u>	<u>(80,000)</u>	<u>(365,000)</u>	<u>26,095,000</u>
Total all categories			<u>74,340,000</u>	<u>(80,000)</u>	<u>(365,000)</u>	<u>73,895,000</u>

30. SHARE OPTION SCHEMES *(continued)*
(a) CMIC Old Scheme *(continued)*

Year ended 31st December, 2002	Date of grant	Exercise price per share <i>HK\$</i>	Outstanding at 1.1.2002	Lapsed during the year	Outstanding at 31.12.2002
Category 1: Directors					
Wang Jun	3.9.1997	5.175	6,000,000	–	6,000,000
	5.6.1998	1.370	4,500,000	–	4,500,000
	30.11.2000	0.740	5,000,000	–	5,000,000
He Ping	3.9.1997	5.175	6,000,000	–	6,000,000
	5.6.1998	1.370	4,500,000	–	4,500,000
	30.11.2000	0.740	5,000,000	–	5,000,000
Li Shi Liang	30.11.2000	0.740	5,000,000	–	5,000,000
Xie Da Tong	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
			<u>47,800,000</u>	–	<u>47,800,000</u>
Category 2: Employees					
	3.9.1997	5.175	14,400,000	–	14,400,000
	5.6.1998	1.370	5,000,000	–	5,000,000
	30.11.2000	0.740	7,205,000	(65,000)	7,140,000
			<u>26,605,000</u>	<u>(65,000)</u>	<u>26,540,000</u>
Total all categories			<u>74,405,000</u>	<u>(65,000)</u>	<u>74,340,000</u>

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

The closing price of the Company's shares immediately before the date on which the options were exercised was HK\$1.31.

Total consideration received for shares issued upon exercise of share options under the CMIC Old Scheme during the year was HK\$59,200 (2002: Nil).

During the year ended 31st December, 2003, the CMIC Old Scheme was terminated. Upon termination of the CMIC Old Scheme, no further options may be offered thereunder. However, in respect of the outstanding options, the provisions of the CMIC Old Scheme shall remain in force. The outstanding options granted under the CMIC Old Scheme shall continue to be subject to the provisions of the CMIC Old Scheme.

30. SHARE OPTION SCHEMES *(continued)*

(b) CMIC 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 CMIC Old Scheme and adopted a new share option scheme (the "CMIC 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 CMIC New Scheme is to provide incentives to eligible participants, and will expire on 27th May, 2013. According to the CMIC 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.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the CMIC 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 CMIC 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 CMIC New Scheme during the year.

31. RESERVES

	Share premium <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At 1st January, 2002	1,458,243	14,275	101,325	1,573,843
Shares repurchased and cancelled:				
– Premium on shares repurchased	–	–	(137)	(137)
– Transfer	–	1,631	(1,631)	–
Profit for the year	–	–	14,608	14,608
At 31st December, 2002 and 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
At 31st December, 2003	<u>1,458,263</u>	<u>15,906</u>	<u>128,625</u>	<u>1,602,794</u>

The Company's reserves available for distribution to shareholders as at 31st December, 2003 represents its accumulated profits of approximately HK\$128.6 million (2002: HK\$114.2 million).

32. OTHER BORROWINGS

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

33. AMOUNTS DUE TO SUBSIDIARIES

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

34. LOAN FROM A FELLOW SUBSIDIARY

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.

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For the year ended 31st December, 2003

35. DEFERRED LICENCING INCOME

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Unamortised deferred licencing income brought forward	74,766	89,720
Less: Licence income recognised during the year	(14,954)	(14,954)
Unamortised deferred licencing income carried forward	59,812	74,766

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.

36. PURCHASE OF SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Net assets acquired:		
Interest in an associate	—	188,605
Net assets	—	188,605
Deemed capital contribution	—	(38,605)
	—	150,000
Satisfied by:		
Cash consideration paid	—	150,000
Net outflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Cash paid	—	150,000

During the year ended 31st December, 2002, no significant turnover and results were contributed by the subsidiary acquired for the period between the date of acquisition and the balance sheet date.

37. DISPOSAL OF SUBSIDIARIES

During the year, 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:

	<i>HK\$'000</i>
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)
	60,219
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
	66,884
Satisfied by:	
Cash consideration received	19,220
Deferred consideration	47,664
	66,884
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)
	(89,075)

The deferred consideration will be settled in cash by the purchaser on or before 30th September, 2004.

The subsidiary disposed of during the year contributed approximately HK\$66,062,000 to the Group's turnover and approximately HK\$431,000 to the Group's profit from operations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

38. GAIN ON DILUTION OF INTEREST IN A SUBSIDIARY TO AN ASSOCIATE

	2003 HK\$'000	2002 HK\$'000
Net assets deconsolidated:		
Property, plant and equipment	-	462
Intangible assets	-	7,582
Inventories	-	4,713
Trade and other receivables	-	6,684
Bank overdraft	-	(6,087)
Trade and other payables	-	(12,576)
Minority interests	-	(195)
	<u>-</u>	<u>583</u>
Gain on dilution of interest in a subsidiary to an associate	-	4,552
	<u>-</u>	<u>5,135</u>
Satisfied by:		
Share of net assets of an associate	<u>-</u>	<u>5,135</u>
Net inflow of cash and cash equivalents in connection with dilution of interest in a subsidiary to an associate:		
Bank overdraft disposed of	<u>-</u>	<u>6,087</u>

During the year ended 31st December, 2002, the above company contributed approximately HK\$436,000 to the Group's turnover and loss of HK\$1,639,000 to the Group's loss from operation.

39. UNRECOGNISED DEFERRED TAXATION

At 31st December, 2003, the Group other than its subsidiaries in the PRC had unused tax losses of approximately HK\$71.0 million (2002: HK\$43.8 million) for offset against future assessable profits. Such unused tax losses may be carried forward indefinitely.

In addition, at 31st December, 2003, the Group's PRC subsidiaries had unused tax losses of approximately HK\$126.3 million (2002: HK\$84.2 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.

39. UNRECOGNISED DEFERRED TAXATION *(continued)*

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.

40. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Operating lease rentals in respect of:		
– land and buildings	2,954	3,486
– satellite television channel	5,460	6,240

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

	Satellite television channel		Office and factory premises	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Within one year	5,460	6,240	3,794	3,556
In the second to fifth year inclusive	21,840	24,960	9,939	11,266
Over five years	21,840	31,200	21,078	23,454
	49,140	62,400	34,811	38,276

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

The Group as lessor:

Property rental income earned during the year was approximately HK\$51.6 million (2002: HK\$57.3 million). Significant leases are negotiated for a lease term of 1 to 10 years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

40. OPERATING LEASE ARRANGEMENTS (continued)

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

	2003 HK\$'000	2002 HK\$'000
Within one year	50,487	35,912
In the second to fifth year inclusive	43,022	27,209
Over five years	21,736	16,655
	<u>115,245</u>	<u>79,776</u>

41. CAPITAL COMMITMENTS

	2003 HK\$'000	2002 HK\$'000
THE GROUP		
Capital expenditure contracted for but not provided in the financial statements in respect of		
– acquisition of property, plant and equipment	13,463	6,890
– acquisition of interests in unlisted companies	78,110	338,000
	<u>91,573</u>	<u>344,890</u>
Capital expenditure authorised but not contracted for in respect of:		
– acquisition of leasehold land	–	7,883
– acquisition of property, plant and equipment	–	27,791
– renovation works of hotel properties	–	56,075
– acquisition of interests in unlisted companies	71,000	–
	<u>71,000</u>	<u>91,749</u>

42. CONTINGENT LIABILITIES

At 31st December, 2003, 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\$129 million (2002: HK\$124 million).

In addition, at 31st December, 2003, the Group had given a guarantee of approximately HK\$14.3 million (2002: 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.

43. 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:

	THE GROUP	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Hotel properties	647,400	608,400
Investment properties	364,600	352,000
Motor vessels	289,322	306,738
Other plant and equipment	–	182,142
Land and buildings	221,498	232,959
Bank deposits	11,948	86,620
	<u>1,534,768</u>	<u>1,768,859</u>

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

44. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

44. RETIREMENT BENEFITS SCHEMES (continued)

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.

45. 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

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Transactions:		
Property rental income (Note i)	28,841	26,401
Manager remuneration paid (Note ii)	4,314	13,968
Property leasing commission and management fees paid (Note iii)	2,342	2,334
Acquisition of a subsidiary (Note iv)	—	150,000
	<u> </u>	<u> </u>
Balances:		
Trade and other receivables (Note v)	19,042	10,490
Trade and other payables (Note v)	27,445	30,231
Long term loan payable (Note vi)	168,224	168,224
	<u> </u>	<u> </u>

45. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*
(I) Connected Persons *(continued)*
(A) Transactions and balances with China Poly Group *(continued)*

Notes:

- (i) Of this rental income, an amount of HK\$12,173,000 (2002: HK\$5,161,000) is related to tenancy agreement which were previously approved by independent shareholders of the Company in extraordinary general meetings; and an amount of HK\$16,668,000 (2002: HK\$21,240,000) is related to tenancy agreements which were disclosed in the Company's press announcements in 2003.

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.

- (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 22nd May, 2002, the Company entered into an agreement with China Poly Group to acquire the entire equity interest in Johnsbury Limited ("Johnsbury") at a consideration of HK\$150 million. Johnsbury is an investment holding company which holds 40% equity interest in Shanghai Puly. Further details of the transaction are set out in a circular of the Company dated 13th June, 2002. The acquisition was approved by shareholders in an extraordinary meeting held on 4th July, 2002 and was completed in July 2002.
- (v) The balances are unsecured, interest-free and repayable on demand.
- (vi) Details of the terms are set out in note 34.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

45. 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, 2003, China Poly Group had given a guarantee to a bank in respect of credit facilities utilised by the Group of HK\$30,938,000 (2002: Nil), which was counter-guaranteed by a subsidiary of the Company of HK\$20,419,000 (2002: Nil).

(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, 2003 amounted to approximately HK\$17.0 million (2002: HK\$33.0 million). As at 31st December, 2002, China Poly Group also had a 20% indirect beneficial interest in Tianjin Winson other than that held by the Group.

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

Connected persons	Nature of transactions/balances	THE GROUP	
		2003 HK\$'000	2002 HK\$'000
(a) Shengzhou City and its affiliates <i>(Note i)</i>	Non-trade receivables by the Group <i>(Note iii)</i>	-	9,943
(b) Suzhou Power and its affiliates <i>(Note ii)</i>	Payables by the Group <i>(Note iv)</i> Purchase of coals <i>(Note v)</i>	(70,012) 27,416	(40,497) -

45. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*
(I) Connected Persons *(continued)*
(C) Transactions and balances with minority shareholders of non-wholly owned subsidiaries *(continued)*

Notes:

- (i) Shengzhou City Thermal Power Corporation ("Shengzhou City") was a 48% shareholder of Shengzhou Xinzhonggang, one of the Company's former non-wholly owned subsidiaries.
- (ii) 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.
- (iii) The balance was unsecured, interest bearing at 5.31% per annum and fully repaid during the year. At 31st December, 2002, Shengzhou City and its affiliates had given guarantees amounting to approximately HK\$63.4 million to bankers in respect of credit facilities granted to Shengzhou Xinzhonggang.
- (iv) The balance is unsecured, interest-free and has no fixed repayment terms.
- (v) This transaction was carried out at market prices or, where no market price was available, at terms determined and agreed by both parties.

(D) Acquisition of associates

On 29th November, 2002, Well United Investment Limited, a wholly-owned subsidiary of the Company, entered into an agreement ("Peixian Agreement") with Suzhou Power and Golden Concord Power (Peixian) Ltd. ("GCP") to acquire 49% of the registered capital of Peixian Power for a consideration of HK\$77.4 million.

Also on 29th November, 2002, Master Chief Holdings Limited, another wholly-owned subsidiary of the Company, entered into an agreement ("Dongtai Agreement") with Suzhou Power and Golden Concord Power (Dongtai) Ltd. ("GCD") to acquire 49% of the registered capital of Dongtai Power for a consideration of HK\$50.6 million.

The acquisitions in respect of the Peixian Agreement and Dongtai Agreement were guaranteed by Golden Concord Holdings Limited ("GCH"), a company incorporated in Hong Kong and owned as to 80% by Mr. Zhu Gong Shan ("Mr. Zhu") and 20% by an independent third party. GCH holds 100% of the registered capital in each of GCP and GCD.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

45. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

(I) Connected Persons *(continued)*

(D) Acquisition of associates *(continued)*

Mr. Zhu is a substantial shareholder of the vendors of Peixian Agreement and Dongtai Agreement, holding 98% of the registered capital of Suzhou Power and 80% of the registered capital of GCP and GCD through his 80% shareholdings in GCH, whilst Mr. Zhu 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, GCP, GCD 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.

Further details of the above transactions are set out in a circular of the Company dated 23rd December, 2002.

Pursuant to the approval of aforesaid transactions from Ringo Trading Limited ("Ringo"), the Company's substantial shareholder and the waiver obtained from the Stock Exchange, the aforesaid transactions were completed in January 2003.

(II) Related Parties, Other Than Connected Persons

Related parties	Nature of transactions	THE GROUP	
		2003 HK\$'000	2002 HK\$'000
Former associate	Management fees received <i>(Note)</i>	—	7,500

Note: The management fees were charged to the former associate with reference to the administration costs incurred by the Group.

46. POST BALANCE SHEET EVENTS

The following events occurred subsequent to the balance sheet date:

- (a) On 29th December, 2003, the Group entered into a term loan agreement relating to a term loan facility of HK\$180 million. The loan is secured by properties of the Group and shares of certain subsidiaries of the Company and is repayable in 2007. The term loan facility was utilised by the Group subsequent to the balance sheet date.
- (b) On 15th January, 2004, Green Island Developments Limited ("Green Island") entered into an agreement ("1st Sale and Purchase Agreement") with Suzhou Power to acquire 36.75% of the registered capital of Xuzhou Western Co-generation Co., Ltd. ("Xuzhou Co-generation") for a consideration of HK\$34,360,000.

46. POST BALANCE SHEET EVENTS *(continued)*

On the same date, the Company, Green Island and Golden Concord Power (Western Xuzhou) Limited ("GCX") entered into an agreement ("1st Subscription Agreement") in which Year Award Investment Limited ("Year Award"), a wholly-owned subsidiary of the Company, would subscribe for one new ordinary share in Green Island representing upon completion the entire interest in the issued share capital of Green Island at a consideration of HK\$45,540,000. Green Island would redeem the one redeemable share held by GCX in Green Island at US\$1 plus a deferred consideration of HK\$11,180,000. The Company would guarantee the performance of Green Island's obligations under the 1st Sale and Purchase Agreement and Year Award's and Green Island's payment undertakings under the 1st Subscription Agreement. Xuzhou Co-generation is a sino-foreign equity joint venture established in the PRC engaging in operation of power plant.

Also on 15th January, 2004, High Praise Developments Limited ("High Praise") entered into an agreement ("2nd Sale and Purchase Agreement") with Suzhou Power to acquire 29.40% of the registered capital of Funing Golden Concord Environmental Protection Co-generation Co., Ltd. ("Funing Co-generation") for a consideration of HK\$18,460,000.

On the same date, the Company, High Praise and Golden Concord Power (Funing) Limited ("GCF") entered into an agreement ("2nd Subscription Agreement") in which Elite Land Investment Limited ("Elite Land"), a wholly-owned subsidiary of the Company, would subscribe for one new ordinary share in High Praise representing upon completion the entire interest in the issued share capital of High Praise at a consideration of HK\$25,460,000. High Praise would redeem the one redeemable share held by GCF in High Praise at US\$1 plus a deferred consideration of HK\$7,000,000. The Company would guarantee the performance of High Praise's obligations under the 2nd Sale and Purchase Agreement and Elite Land's and High Praise's payment undertakings under the 2nd Subscription Agreement. Funing Co-generation is a sino-foreign equity joint venture established in the PRC engaging in operation of power plant.

The acquisitions of Xuzhou Co-generation and Funing Co-generation were guaranteed by GCH.

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 GCX and GCF through his 80% shareholdings in GCH, whilst Mr. Zhu 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, GCX, GCF 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

46. POST BALANCE SHEET EVENTS (continued)

- (c) On 2nd February, 2004, PPL, a 75% owned subsidiary of the Company, entered into agreements with Beijing Poly Theatre Management Limited, a subsidiary of China Poly, in respect of the lease of certain premises in Poly Plaza for a term of 3 years from 1st January, 2004 to 31st December, 2006.
- (d) On 5th February, 2004, Ringo entered into a placing agreement with a placing agent for the placing of an aggregate of 100,000,000 existing shares of HK\$0.50 each in the Company held by Ringo at a price of HK\$1.66 each. Ringo also entered into a subscription agreement to subscribe for an aggregate of 100,000,000 new shares in the Company at a price of HK\$1.66 each. Details of these transactions are set out in the announcement made by the Company on 5th February, 2004.

47. 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, 2003 are as follows:

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

47. PRINCIPAL SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued and fully paid share capital/ registered capital	Principal activity
Gold Star Enterprises S.A.	Liberia	US\$10,000	Ship owning
Grandful International Limited	Hong Kong	HK\$2	Investment holding
High Wealth International Limited	Hong Kong	HK\$2	Property investment
Honorlink Investments Limited	Hong Kong	HK\$2	Property investment
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
Poly Plaza Limited ("PPL") *	PRC	US\$10,000,000	Investment, management and operation of a hotel complex
Polystar Digidisc Co., Ltd. ** ("Polystar")	PRC	RMB9,000,000	Manufacturing and wholesaling of compact discs, video compact discs and digital video discs
Prime Brilliant Limited	Hong Kong	HK\$2	Property investment
Propwood Limited	Hong Kong	HK\$2	Property investment
Red Empire Limited	British Virgin Islands	US\$1	Investment holding
Regal Step Investments Limited	Hong Kong	HK\$2	Property investment
Richwood Corporation	Liberia	US\$10,000	Ship owning
Saneble Limited	Hong Kong	HK\$2	Property investment
Sky Fortune Development Overseas Corp.	British Virgin Islands	US\$1	Investment holding
Starry Joy Properties Investment Ltd.	British Virgin Islands	US\$1	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

47. PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued and fully paid share capital/ registered capital	Principal activity
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
Upprace 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

These subsidiaries are directly held by the Company.

* PPL is 75% indirectly held by the Company and 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.

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.

48. BUSINESS AND GEOGRAPHICAL SEGMENTS
For the year ended 31st December, 2003

	Supply of electricity and gas HK\$'000	Property investment and manage- ment HK\$'000	Shipping HK\$'000	Manu- facturing and media HK\$'000	Financial services HK\$'000	Hotel and restaurant operations HK\$'000	Elimina- tions HK\$'000	Total HK\$'000
<i>By principal activity</i>								
REVENUE								
External revenue	190,258	95,707	59,155	54,253	46,782	27,435	-	473,590
Inter-segment revenue*	-	8,650	-	-	11,817	-	(20,467)	-
Total revenue	<u>190,258</u>	<u>104,357</u>	<u>59,155</u>	<u>54,253</u>	<u>58,599</u>	<u>27,435</u>	<u>(20,467)</u>	<u>473,590</u>
CONTRIBUTION TO PROFIT (LOSS) FROM OPERATIONS	<u>26,029</u>	<u>38,756</u>	<u>17,552</u>	<u>(841)</u>	<u>10,405</u>	<u>(2,109)</u>	<u>-</u>	<u>89,792</u>
Central administrative expenses								<u>(21,383)</u>
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 profits (losses) of associates	16,942	23,714	-	(4,192)	68	-	-	36,532
Allowance for loans to jointly controlled entities	-	(1,166)	-	-	-	-	-	<u>(1,166)</u>
Profit before taxation								92,062
Taxation								<u>(5,626)</u>
Profit before minority interests								<u>86,436</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

48. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

For the year ended 31st December, 2003 (continued)

	Supply of electricity and gas HK\$'000	Property investment and manage- ment HK\$'000	Shipping HK\$'000	Manu- facturing and media HK\$'000	Financial services HK\$'000	Hotel and restaurant operations HK\$'000	Total HK\$'000
ASSETS AND LIABILITIES AT 31ST DECEMBER, 2003							
ASSETS							
Segment assets	345,042	1,107,481	291,789	140,203	427,984	688,899	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
	<u>489,550</u>	<u>1,305,354</u>	<u>291,789</u>	<u>187,687</u>	<u>501,033</u>	<u>688,899</u>	<u>3,464,312</u>
LIABILITIES							
Segment liabilities	(139,439)	(48,490)	(6,001)	(43,865)	(8,370)	(63,876)	(310,041)
Unallocated corporate liabilities							(622,720)
							<u>(932,761)</u>
OTHER INFORMATION							
Capital expenditure	82,055	1,321	-	51,632	-	-	135,008
Depreciation and amortisation	25,391	17,879	17,416	10,142	-	-	70,828
Amortisation of deferred licensing income	-	14,954	-	-	-	-	14,954
Surplus arising on revaluation of investment properties	-	24,636	-	-	-	-	24,636
Deficit arising on revaluation of hotel properties	-	-	-	-	-	4,148	4,148
Impairment loss on investments in securities	-	-	-	-	13,470	-	13,470
Unrealised holding gain on other investments	-	-	-	-	1,798	-	1,798

48. BUSINESS AND GEOGRAPHICAL 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:

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

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

	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>
ASSETS				
Carrying amount of segment assets	<u>427,428</u>	<u>2,282,181</u>	<u>291,789</u>	<u>3,001,398</u>
Capital expenditure	<u>629</u>	<u>134,379</u>	<u>–</u>	<u>135,008</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

48. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

For the year ended 31st December, 2002

	Supply of electricity and gas <i>HK\$'000</i>	Property investment and manage- ment <i>HK\$'000</i>	Shipping <i>HK\$'000</i>	Manu- facturing and media <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Hotel and restaurant operations <i>HK\$'000</i>	Elimina- tions <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>By principal activity</i>								
REVENUE								
External revenue	147,840	80,232	46,680	47,972	62,610	55,717	-	441,051
Inter-segment revenue*	-	6,310	-	4,914	53,738	-	(64,962)	-
Total revenue	<u>147,840</u>	<u>86,542</u>	<u>46,680</u>	<u>52,886</u>	<u>116,348</u>	<u>55,717</u>	<u>(64,962)</u>	<u>441,051</u>
CONTRIBUTION TO PROFIT								
(LOSS) FROM OPERATIONS	<u>22,941</u>	<u>(12,249)</u>	<u>1,938</u>	<u>13,670</u>	<u>(37,905)</u>	<u>12,085</u>	<u>-</u>	<u>480</u>
Central administrative expenses								<u>(22,716)</u>
Loss from operations								(22,236)
Finance costs								(18,890)
Loss on disposal of an associate	-	-	-	(43,164)	-	-	-	(43,164)
Gain on dilution of interest in a subsidiary to an associate	-	-	-	4,552	-	-	-	4,552
Amortisation of goodwill arising on acquisition of an associate	-	-	-	(12,255)	-	-	-	(12,255)
Share of profits (losses) of associates	-	2,132	-	(2,896)	1,470	-	-	706
Share of losses of jointly controlled entities	-	(7,175)	-	-	-	-	-	(7,175)
Allowance for loans to jointly controlled entities	-	(12,278)	-	-	-	-	-	<u>(12,278)</u>
Loss before taxation								(110,740)
Taxation								<u>(5,682)</u>
Loss before minority interests								<u>(116,422)</u>

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

48. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*
For the year ended 31st December, 2002

	Supply of electricity and gas <i>HK\$'000</i>	Property investment and manage- ment <i>HK\$'000</i>	Shipping <i>HK\$'000</i>	Manu- facturing and media <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Hotel and restaurant operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS AND LIABILITIES							
AT 31ST DECEMBER, 2002							
ASSETS							
Segment assets	528,768	1,169,713	308,731	131,681	349,362	676,703	3,164,958
Interest in associates	-	140,088	-	70,932	72,888	-	283,908
Interest in jointly controlled entities	-	20,669	-	-	-	-	20,669
	<u>528,768</u>	<u>1,330,470</u>	<u>308,731</u>	<u>202,613</u>	<u>422,250</u>	<u>676,703</u>	<u>3,469,535</u>
LIABILITIES							
Segment liabilities	(90,844)	(52,767)	(4,790)	(45,800)	(6,549)	(73,022)	(273,772)
Unallocated corporate liabilities							(702,881)
							<u>(976,653)</u>
OTHER INFORMATION							
Capital expenditure	35,348	4,102	-	18,339	-	-	57,789
Depreciation and amortisation	20,323	18,791	20,401	12,993	-	-	72,508
Amortisation of deferred licensing income	-	14,954	-	-	-	-	14,954
Deficit arising on revaluation of investment properties	-	46,226	-	-	-	-	46,226
Impairment loss on investments in securities	-	-	-	-	20,419	-	20,419
Unrealised holding loss on other investments	-	-	-	-	8,745	-	8,745

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2003

48. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

For the year ended 31st December, 2002 (continued)

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

	Hong Kong HK\$'000	The PRC other than Hong Kong HK\$'000	Other parts of the world HK\$'000	Total HK\$'000
REVENUE	<u>75,153</u>	<u>319,218</u>	<u>46,680</u>	<u>441,051</u>

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

	Hong Kong HK\$'000	The PRC other than Hong Kong HK\$'000	Other parts of the world HK\$'000	Total HK\$'000
ASSETS				
Carrying amount of segment assets	<u>727,024</u>	<u>2,129,203</u>	<u>308,731</u>	<u>3,164,958</u>
Capital expenditure	<u>1,369</u>	<u>56,420</u>	<u>–</u>	<u>57,789</u>

	1.4.1999 to 31.3.2000 <i>HK\$'000</i>	1.4.2000 to 31.12.2000 <i>HK\$'000</i>	1.1.2001 to 31.12.2001 <i>HK\$'000</i>	1.1.2002 to 31.12.2002 <i>HK\$'000</i>	1.1.2003 to 31.12.2003 <i>HK\$'000</i>
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RESULTS

Turnover	<u>251,547</u>	<u>188,693</u>	<u>341,976</u>	<u>441,051</u>	<u>473,590</u>
Profit (loss) from operations	93,734	(15,972)	35,169	(22,236)	68,409
Finance costs	(32,366)	(15,541)	(18,123)	(18,890)	(20,230)
Gain on disposal of subsidiaries	–	–	–	–	21,205
Loss on disposal of an associate	–	–	–	(43,164)	–
Gain on dilution of interest in a subsidiary to an associate	–	–	–	4,552	–
Amortisation of goodwill arising on acquisition of associates	–	–	–	(12,255)	(12,688)
Share of profits (losses) of associates	3,438	(7,783)	(11,695)	706	36,532
Share of losses of jointly controlled entities	(15,581)	(8,163)	(6,199)	(7,175)	–
Allowance for loans to jointly controlled entities	–	–	–	(12,278)	(1,166)
Profit (loss) before taxation	<u>49,225</u>	<u>(47,459)</u>	<u>(848)</u>	<u>(110,740)</u>	<u>92,062</u>
Taxation	<u>(2,570)</u>	<u>(1,692)</u>	<u>(1,919)</u>	<u>(5,682)</u>	<u>(5,626)</u>
Profit (loss) before minority interests	<u>46,655</u>	<u>(49,151)</u>	<u>(2,767)</u>	<u>(116,422)</u>	<u>86,436</u>
Minority interests	<u>(8,856)</u>	<u>(3,497)</u>	<u>(12,058)</u>	<u>(12,572)</u>	<u>(15,189)</u>
Profit (loss) attributable to shareholders	<u><u>37,799</u></u>	<u><u>(52,648)</u></u>	<u><u>(14,825)</u></u>	<u><u>(128,994)</u></u>	<u><u>71,247</u></u>

	31.3.2000 <i>HK\$'000</i>	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>
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ASSETS AND LIABILITIES

Total assets	2,998,278	3,093,754	3,354,656	3,469,535	3,464,312
Total liabilities	(739,259)	(740,027)	(889,021)	(976,653)	(932,761)
Minority interests	<u>(128,509)</u>	<u>(130,892)</u>	<u>(250,961)</u>	<u>(256,463)</u>	<u>(202,531)</u>
Shareholders' funds	<u><u>2,130,510</u></u>	<u><u>2,222,835</u></u>	<u><u>2,214,674</u></u>	<u><u>2,236,419</u></u>	<u><u>2,329,020</u></u>

SUMMARY OF THE GROUP'S FLEET

At 31st December, 2003

Details of the Group's fleet in service, all of which are wholly-owned by the Group, at 31st December, 2003 are as follows:

Vessel	Type	Flag	Year built	Dead weight tonnage MT
Hai Ji	Bulk carrier	Hong Kong	1994	70,000
Hai Kang	Bulk carrier	Hong Kong	1993	70,000
				<hr/>
				140,000
				<hr/> <hr/>

Details of the Group's properties held for investment purposes at 31st December, 2003 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%
43 Houses and Apartments of Legend Garden Villas 89 Capital Airport Road, Beijing The People's Republic of China	Held under a land use right for a term expiring on 31st December, 2042	Residential	100%
14th, 15th, 17th and 18th Floors, South Tower, and the whole of 24th and 25th Floors, South Tower and North Tower, Shanghai Stock Exchange Building, Pudong Road South, Lujiazui, Pudong, Shanghai, The People's Republic of China	Held under a land use right for a term expiring on 14th November, 2043	Commercial	100%
<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%