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CONTINENTAL MARINER INVESTMENT COMPANY LIMITED

新海康航業投資有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 119)

MAJOR TRANSACTION

Disposal of Vessels

Financial Adviser



Yu Ming Investment Management Limited

A letter from the board of directors of Continental Mariner Investment Company Limited is set out on pages 3 to 7 of this circular.

2nd December, 2004

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	3
Consideration	4
The Vessels	4
Completion	5
Reasons for the transaction	6
Use of Proceeds	6
Business of the Purchasers	6
Business of the Company	6
Financial effects of the Disposal	6
General	7
Appendix I – Financial information	8
Appendix II – General information	72

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Agreement(s)”	the two separate agreements dated 10th November, 2004 entered into between the respective Purchasers and the respective Vendors in relation to the sale and purchase of the respective Vessel
“Announcement”	the announcement made by the Company dated 11th November, 2004
“Banking Day”	any day in Hong Kong which banks are open for business
“China Poly”	中國保利集團公司 (China Poly Group Corporation), a company incorporated in the PRC, a substantial shareholder of the Company holding approximately 60.29% of the total issued share capital of the Company
“Company”	Continental Mariner Investment Company Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the main board of the Stock Exchange
“Consideration”	US\$52,350,000 (equivalent to approximately HK\$408,330,000), with Vessel A to be sold for US\$27,175,000 (equivalent to approximately HK\$211,965,000) and Vessel B to be sold for US\$25,175,000 (equivalent to approximately HK\$196,365,000)
“Directors”	Directors of the Company
“Disposal”	the disposal of the Vessels by the Vendors to the Purchasers as stipulated by the Agreements
“Group”	the Company and its subsidiaries
“Latest Practicable Date”	1st December, 2004
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

DEFINITIONS

“Purchasers”	Panthea Maritime Inc. and Panacea Maritime Inc., being independent third parties in the shipping industry, together with their ultimate beneficial owner, that to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, are independent third parties who are not connected persons of the Company (as defined in the Listing Rules) and are independent of and not connected with the Company and its connected persons (as defined in the Listing Rules). The Purchasers are incorporated in Liberia with limited liability
“Shareholders”	holders of Shares
“Share(s)”	ordinary share(s) of HK\$0.50 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Gold Star Enterprises SA, a company incorporated in Liberia with limited liability, and Richwood Corporation, a company incorporated in Liberia with limited liability, both of them being wholly-owned subsidiaries of the Company
“Vessel(s)”	Vessel A and Vessel B
“Vessel A”	the motor vessel “Hai Ji” registered in Hong Kong and owned by Richwood Corporation, to be sold to Panthea Maritime Inc.
“Vessel B”	the motor vessel “Hai Kang” registered in Hong Kong and owned by Gold Star Enterprises SA, to be sold to Panacea Maritime Inc.
“HK\$”	Hong Kong dollars, the legal currency of Hong Kong
“US\$”	United States dollars, the legal currency of the United States of America of which US\$1 = HK\$7.8



CONTINENTAL MARINER INVESTMENT COMPANY LIMITED

新海康航業投資有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 119)

Executive Directors:

WANG Jun (*Chairman*)

HE Ping (*Vice-Chairman*)

LI Shi Liang (*Managing Director*)

CHEN Hong Sheng

CHAN Tak Chi, William

Registered office:

Room 2503, 25th Floor

Admiralty Centre

Tower 1

18 Harcourt Road

Hong Kong

Non-executive Director:

IP Chun Chung, Robert

Independent non-executive Directors:

YAO Kang

LAM Tak Shing

CHOY Shu Kwan

2nd December, 2004

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION

INTRODUCTION

Reference is made to the announcement made by the Company on 11th November, 2004. On 10th November, 2004, Richwood Corporation and Gold Star Enterprises S.A., being wholly-owned subsidiaries of the Company and the respective owner of Vessel A and Vessel B, entered into a separate Agreement with the respective Purchasers (namely Panthea Maritime Inc. and Panacea Maritime Inc.), being independent third parties who are not connected persons (as defined in the Listing Rules) of the Company and are independent of and not connected with the Company and its connected persons (as defined in the Listing Rules), pursuant to which, the Purchasers agreed to purchase and each of the Vendors agreed to sell the respective Vessels for an aggregate US\$52,350,000 (equivalent to approximately HK\$408,330,000) in cash.

LETTER FROM THE BOARD

CONSIDERATION

The Consideration will be settled as follows:

Within three Banking Days from the date of signing of the Agreements, a deposit of US\$5,235,000 (equivalent to approximately HK\$40,833,000), representing 10 per cent. of the Consideration, was credited to a bank in Hong Kong nominated by the Vendors in an account jointly operated by the respective Purchaser and the respective Vendor. US\$2,717,500 (equivalent to approximately HK\$21,196,500) and US\$2,517,500 (equivalent to approximately HK\$19,636,500) will be released to each of the Vendors (namely Richwood Corporation and Gold Star Enterprises S.A.) upon delivery of Vessel A and Vessel B respectively;

US\$24,457,500 (equivalent to approximately HK\$190,768,500), being the balance of the consideration for Vessel A, shall be paid by Panthea Maritime Inc. to Richwood Corporation upon the delivery of Vessel A, but not later than three Banking Days after Vessel A is in every respect physically ready for delivery in accordance with the terms and conditions of the respective Agreement; and

US\$22,657,500 (equivalent to approximately HK\$176,728,500), being the balance of the consideration for Vessel B, shall be paid by Panacea Maritime Inc. to Gold Star Enterprises S.A. upon the delivery of Vessel B, but not later than three Banking Days after Vessel B is in every respect physically ready for delivery in accordance with the terms and conditions of the respective Agreement.

Delivery shall be arranged by the respective Vendor at a safe and accessible berth or anchorage or buoy in a safe port at the option of the respective Vendor. As at the Latest Practicable Date, the Vessels have not been delivered.

The Consideration was negotiated on an arm's length basis and represents the highest offer received by the Company from four independent prospective purchasers, all being independent third parties who are not connected persons (as defined in the Listing Rules) of the Company and are independent of and not connected with the Company and its connected persons (as defined in the Listing Rules) and who had expressed interests in acquiring the Vessels. The Directors are of the opinion that the Consideration represents a fair market value of the Vessels as it represents a price agreed between a willing seller and a willing buyer, supported by competing offers for the Vessels. No independent valuation on the Vessels has been carried out. In determining whether the Consideration is fair and reasonable, the Directors have considered the significant amount of gain from disposals to be generated from the Disposal.

THE VESSELS

Vessels A and Vessel B are dry bulk carriers acquired first-hand by the Company in 1994 and 1993 respectively. Vessel A was built in 1994 with a deadweight tonnage of 70,083 tonnes. Vessel B was built in 1993 with a deadweight tonnage of 70,128 tonnes. The Vessels are engaged in chartered operations.

LETTER FROM THE BOARD

According to the published financial statements of the Company, the total revenue attributable to the Vessels for the financial years ended 31st December, 2002, 2003 and the six months ended 30th June, 2004 were HK\$46,680,000, HK\$59,155,000 and HK\$66,121,000 respectively. The contribution to turnover for Vessel A and Vessel B was HK\$30,722,000 and HK\$28,433,000 respectively for the financial year ended 31st December, 2003.

According to the published financial statements of the Company, the contribution to operating profit before tax and extraordinary items attributable to the Vessels for the financial years ended 31st December, 2002, 2003 and the six months ended 30th June, 2004 were HK\$1,938,000, HK\$17,552,000 and HK\$45,135,000 respectively. The contribution to operating profit before tax and extraordinary items for Vessel A was HK\$403,000 and HK\$10,770,000 for the two financial years ended 31st December, 2002 and 2003 respectively. The contribution to operating profit before tax and extraordinary items for Vessel B was HK\$34,000 and HK\$6,782,000 for the two financial years ended 31st December, 2002 and 2003 respectively.

The Vessels had a book value of US\$35,421,223 (equivalent to approximately HK\$276,285,539) in the accounts of the Company as at 30th September, 2004. The book value of Vessel A and Vessel B as at 30th September, 2004 were approximately US\$17,787,148 (equivalent to approximately HK\$138,739,754) and US\$17,634,075 respectively (equivalent to approximately HK\$137,545,785). The Disposal will generate a gain on disposals of approximately US\$16.9 million (equivalent to approximately HK\$132 million) with US\$9.4 million (equivalent to approximately HK\$73 million) and US\$7.5 million (equivalent to approximately HK\$59 million) attributable to Vessel A and Vessel B respectively.

The Consideration represents a premium of 52.78% and 42.76% to the respective book value of Vessel A and Vessel B as at 30th September, 2004.

In the financial year ended 31st December, 2003, the shipping business, represented solely by the operations of the Vessels, accounted for 12.49% and 24.64% of the total turnover and the net profit of the Company respectively.

The Agreements are not interconditional.

COMPLETION

Completion of the Disposal is expected to take place between 1st December, 2004 and 20th January, 2005 for Vessel A and between 20th February, 2005 and 15th May, 2005 for Vessel B. Should completion not take place because any of the Vendors fail to deliver the respective Vessel on the respective completion dates, then the respective Purchaser can cancel the respective Agreement and the respective Vendor will have to return the deposit with interest accrued thereon, and to make compensation for the expenses incurred by the respective Purchaser. If completion fails to take place as a result of default of the respective Purchaser, then the respective Vendor will be entitled to the deposit received with interest accrued thereon and further compensation if such deposit is unable to cover the loss incurred by the respective Vendor.

LETTER FROM THE BOARD

REASONS FOR THE TRANSACTION

The marine transport industry, a cyclical industry in nature, has seen a strong run in the last few years as the strong growth in China has driven volume and freight rates to level unseen in recent years. Delay in delivery of new vessels and rise in steel prices have increased the price of both new and used vessels.

The Directors are of the view that it is the opportune time to dispose of the Vessels, which are the last of the marine fleet of the Company. Furthermore, the Disposal would release management resources for other current activities of the Company. In determining whether the Consideration is fair and reasonable, the Directors have considered the significant amount of gain from disposals to be generated from the Disposal. The Directors believe it is in the best interests of the Company and the Shareholders as a whole to dispose of the Vessels at a significant surplus to the book value.

USE OF PROCEEDS

Proceeds from the Disposal will be applied to repay outstanding mortgages on the vessels of approximately US\$11.55 million (equivalent to approximately HK\$90 million) and the balance will be retained as general working capital of the Company.

BUSINESS OF THE PURCHASERS

The Purchasers are principally engaged in the shipping industry.

BUSINESS OF THE COMPANY

Since the Vessels are the last vessels of the marine fleet of the Company, after the Disposal, the shipping business of the Company will be discontinued. The Company is currently principally engaged in the supply of electricity and gas, shipping, property investment and management, financial services, hotel and restaurant operations, and manufacturing and media. The Company will remain involved in these activities except shipping after the Disposal.

FINANCIAL EFFECTS OF THE DISPOSAL

Earnings

The Group's consolidated audited net profit after taxation and extraordinary items attributable to the Shareholders for the year ended 31st December, 2003 was approximately HK\$71,247,000, out of which the shipping division (represented only by the operations of the Vessels) contributed HK\$17,552,000 in operating profit before tax and extraordinary items, or 24.64 per cent. (of which 15.12 per cent. and 9.52 per cent. is attributable to Vessel A and Vessel B respectively) of consolidated audited net profit after taxation and extraordinary items. The contribution to operating profit before tax and extraordinary items for Vessel A and Vessel B was HK\$10,770,000 and HK\$6,782,000 respectively for the financial year ended 31st December, 2003. With the completion of the Disposal, the turnover and earnings contributed from shipping will discontinue.

LETTER FROM THE BOARD

Net assets

Net assets of the Group is going to improve by the amount of book gain expected to accrue from the Disposal, which is approximately US\$16.9 million (equivalent to approximately HK\$132 million), with US\$9.4 million (equivalent to approximately HK\$73 million) and US\$7.5 million (equivalent to approximately HK\$59 million) attributable to Vessel A and Vessel B respectively.

Working capital

The Disposal is estimated to improve working capital position of the Group by US\$52,350,000 (equivalent to approximately HK\$408,330,000), the amount of the Consideration, less debt relating to the Vessels of approximately US\$11,550,000 (equivalent to approximately HK\$90,090,000).

GENERAL

Under the Listing Rules, the Disposal constitutes a major transaction for the Company and requires the approval of Shareholders. Ringo Trading Limited, a controlling shareholder interested in 60.29% of the issued Shares has given the Company its irrevocable approval in writing in respect of the Disposal. Ringo Trading Limited is a wholly owned subsidiary of China Poly. Since neither China Poly nor its associates are interested in the Disposal and no Shareholder is required to abstain from voting in its approval, the Company has applied for a waiver from the Stock Exchange from the requirement to convene a general meeting of Shareholders for the approval of the Disposal as required under Rule 14.40 of the Listing Rules. The Stock Exchange has confirmed that the Company is not required to convene a general meeting to obtain an approval of the Disposals from the Shareholders.

As stated under the section headed “Reasons for the transaction”, the Directors believe the Disposal is fair and reasonable and it is in the interests of the Company and the Shareholders as a whole.

By order of the Board
Continental Mariner Investment Company Limited
LI Shi Liang
Managing Director

1. AUDITED FINANCIAL INFORMATION

The following is a summary of the audited consolidated results and the assets and liabilities of the Group for each of the three financial years ended 31st December, 2003 as extracted from the respective published audited financial statements:

	Year ended 31st December,		
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
RESULTS			
Turnover	<u>473,590</u>	<u>441,051</u>	<u>341,976</u>
Profit (loss) from operations	68,409	(22,236)	35,169
Finance Costs	(20,230)	(18,890)	(18,123)
Share of profit (losses) of associates	36,532	706	(11,695)
Profit (loss) before taxation	92,062	(110,740)	(848)
Taxation	<u>(5,626)</u>	<u>(5,682)</u>	<u>(1,919)</u>
Profit (loss) after taxation	86,436	(116,422)	(2,767)
Minority interests	<u>(15,189)</u>	<u>(12,572)</u>	<u>(12,058)</u>
Profit (loss) attributable to shareholders	<u>71,247</u>	<u>(128,994)</u>	<u>(14,825)</u>
Basic earnings (loss) per share (cents)	<u>8.82</u>	<u>(15.93)</u>	<u>(1.8)</u>
ASSETS AND LIABILITIES			
Fixed assets	2,171,752	2,282,336	2,376,553
Intangible assets	–	(14,315)	(2,645)
Interests in associates	459,255	283,908	374,470
Interests in jointly controlled entities	3,659	20,669	47,654
Other non-current assets	306,437	87,636	87,403
Current assets	523,209	809,301	471,221
Current liabilities	425,932	557,353	410,050
Total assets	3,464,312	3,469,535	3,354,656
Total liabilities	(932,761)	(976,653)	(889,021)
Minority interests	<u>(202,531)</u>	<u>(256,463)</u>	<u>(250,961)</u>
Shareholders' funds	<u>2,329,020</u>	<u>2,236,419</u>	<u>2,214,674</u>

2. FINANCIAL STATEMENTS

Set out below is the audited consolidated financial statements of the Group as contained in the annual report of the Company for the year ended 31st December, 2003, together with accompanying notes.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2003

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
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

Consolidated Balance Sheet

At 31st December, 2003

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
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	–
		<hr/>	<hr/>
		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
		<hr/>	<hr/>
		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
		<hr/>	<hr/>
		425,932	557,353
Net Current Assets			
		<hr/>	<hr/>
		97,277	251,948
		<hr/>	<hr/>
		3,038,380	2,912,182
Capital and Reserves			
Share capital	29	403,801	403,761
Reserves		1,925,219	1,832,658
		<hr/>	<hr/>
		2,329,020	2,236,419
Minority interests			
		<hr/>	<hr/>
		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
		<hr/>	<hr/>
		506,829	419,300
		<hr/>	<hr/>
		3,038,380	2,912,182
		<hr/>	<hr/>

Consolidated Cash Flow Statement*For the year ended 31st December, 2003*

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
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 (Surplus) deficit arising on revaluation of investment properties	351	2,449
Deficit arising on revaluation of hotel properties	(24,636)	46,226
Release of negative goodwill	4,148	–
Unrealised holding (gain) loss on other investments	(879)	(879)
	<u>(1,798)</u>	<u>8,745</u>
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)
	<u>308,070</u>	<u>(17,106)</u>
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)
	<u>284,032</u>	<u>(41,157)</u>
NET CASH FROM (USED IN)		
OPERATING ACTIVITIES	<u>284,032</u>	<u>(41,157)</u>

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
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		<u>(492,607)</u>	<u>87,827</u>
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)

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
NET CASH FROM FINANCING ACTIVITIES	<u>114,369</u>	<u>140,260</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(94,206)	186,930
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>335,175</u>	<u>148,245</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>240,969</u></u>	<u><u>335,175</u></u>
 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	<u>(2,321)</u>	<u>(11,948)</u>
	<u><u>240,969</u></u>	<u><u>335,175</u></u>

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	<u>403,801</u>	<u>1,458,263</u>	<u>31,659</u>	<u>-</u>	<u>(535)</u>	<u>15,906</u>	<u>(58,892)</u>	<u>5,270</u>	<u>164,137</u>	<u>309,411</u>	<u>2,329,020</u>

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.

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.

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.

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.

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.

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.

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.

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.

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	2002
	<i>HK\$'000</i>	<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
	<u>473,590</u>	<u>441,051</u>

5. PROFIT (LOSS) FROM OPERATIONS

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) from operations has been arrived at after charging:		
Staff costs		
– directors' emoluments (<i>note 6</i>)	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>52,496</u>	<u>58,151</u>

6. DIRECTORS' EMOLUMENTS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
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>

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
	<u><u>1</u></u>	<u><u>1</u></u>

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
	<u>3,331</u>	<u>3,469</u>

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
	<u><u>1</u></u>	<u><u>1</u></u>

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

8. FINANCE COSTS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
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 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
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.

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	<u>(18,129)</u>	<u>(19.7)</u>	<u>15,250</u>	<u>(13.8)</u>
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.

13. INVESTMENT PROPERTIES

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

14. HOTEL PROPERTIES

	<i>HK\$'000</i>
THE GROUP	
VALUATION	
At 1st January, 2003	608,400
Additions	56,028
Deficit arising on revaluation	<u>(17,028)</u>
At 31st December, 2003	<u><u>647,400</u></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	<u>295,831</u>	<u>93,094</u>	<u>7,149</u>	<u>464,244</u>	<u>344,972</u>	<u>45,973</u>	<u>1,251,263</u>
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	<u>115,639</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>115,639</u>
	<u>295,831</u>	<u>93,094</u>	<u>7,149</u>	<u>464,244</u>	<u>344,972</u>	<u>45,973</u>	<u>1,251,263</u>
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	<u>(4,819)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(9,899)</u>	<u>–</u>	<u>(14,718)</u>
At 31st December, 2003	<u>68,791</u>	<u>78,122</u>	<u>3,928</u>	<u>174,922</u>	<u>99,588</u>	<u>–</u>	<u>425,351</u>
NET BOOK VALUE							
At 31st December, 2003	<u><u>227,040</u></u>	<u><u>14,972</u></u>	<u><u>3,221</u></u>	<u><u>289,322</u></u>	<u><u>245,384</u></u>	<u><u>45,973</u></u>	<u><u>825,912</u></u>
At 31st December, 2002	<u><u>284,555</u></u>	<u><u>18,667</u></u>	<u><u>3,541</u></u>	<u><u>306,738</u></u>	<u><u>316,401</u></u>	<u><u>15,060</u></u>	<u><u>944,962</u></u>

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
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

	<i>HK\$'000</i>
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	<u>399</u>
At 31st December, 2003	<u>6,153</u>
NET BOOK VALUE	
At 31st December, 2003	<u>–</u>
At 31st December, 2002	<u>399</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	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	160,056	160,056
Amounts due from subsidiaries less impairment loss recognised	2,322,389	2,130,816
	<u>2,482,445</u>	<u>2,290,872</u>

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

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

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.

19. INTEREST IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	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	–	–
	<u>459,255</u>	<u>283,908</u>	<u>77,060</u>	<u>77,060</u>
				THE GROUP
				HK\$'000
Goodwill arising on acquisition of associates				
COST				
At 1st January, 2003				61,274
Goodwill arising on acquisition				<u>8,662</u>
At 31st December, 2003				<u>69,936</u>
AMORTISATION				
At 1st January, 2003				12,255
Provided for the year				<u>12,688</u>
At 31st December, 2003				<u>24,943</u>
CARRYING AMOUNT				
At 31st December, 2003				<u>44,993</u>
At 31st December, 2002				<u>49,019</u>

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

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

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 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Non-current assets	568,430	467,290
Current assets	14,818	92,700
Current liabilities	(76,105)	(187,386)
Non-current liabilities	(21,610)	(22,383)
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 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
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	(13,444)	(12,278)
	<u>3,659</u>	<u>20,669</u>

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 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Investment cost	<u>197,271</u>	<u>–</u>

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.

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						
Kong	78,231	86,701	10,396	34,042	88,627	120,743
Unlisted	–	–	40,935	45,935	40,935	45,935
Total	<u>78,231</u>	<u>86,701</u>	<u>51,331</u>	<u>79,977</u>	<u>129,562</u>	<u>166,678</u>
Market value of listed securities	<u>44,981</u>	<u>44,020</u>	<u>10,396</u>	<u>34,042</u>	<u>55,377</u>	<u>78,062</u>
Carrying amount analysed for reporting purposes as:						
Current	–	–	50,396	79,042	50,396	79,042
Non-current	<u>78,231</u>	<u>86,701</u>	<u>935</u>	<u>935</u>	<u>79,166</u>	<u>87,636</u>
	<u>78,231</u>	<u>86,701</u>	<u>51,331</u>	<u>79,977</u>	<u>129,562</u>	<u>166,678</u>
THE COMPANY						
Current investments:						
Listed equity securities	<u>–</u>	<u>–</u>	<u>10,122</u>	<u>20,563</u>	<u>10,122</u>	<u>20,563</u>
Market value of listed securities	<u>–</u>	<u>–</u>	<u>10,122</u>	<u>20,563</u>	<u>10,122</u>	<u>20,563</u>

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	<u>370</u>	<u>374</u>
	<u>7,559</u>	<u>21,354</u>

All inventories were carried at cost.

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	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	29,774	28,904
31 to 90 days	9,667	16,542
More than 90 days	562	6,479
	<hr/>	<hr/>
Total trade receivables	40,003	51,925
Receivables on disposal of subsidiaries	47,664	–
Receivables on disposal of an associate (<i>Note</i>)	–	100,000
Other receivables	65,580	54,185
	<hr/>	<hr/>
	<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	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	10,817	7,004
31 to 90 days	908	753
More than 90 days	5,059	6,099
	<hr/>	<hr/>
Total trade payables	16,784	13,856
Other payables	229,432	182,017
	<hr/>	<hr/>
	<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.

29. SHARE CAPITAL

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

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
	3,261,000			1,768

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.

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.

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	–	–	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						
	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>

Year ended 31st December, 2002	Date of grant	Exercise price per share HK\$	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>–</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.

(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 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 intent 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.

35. DEFERRED LICENCING INCOME

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

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

36. PURCHASE OF SUBSIDIARIES

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

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)
	<hr/>
	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
	<hr/>
	66,884
	<hr/> <hr/>
Satisfied by:	
Cash consideration received	19,220
Deferred consideration	47,664
	<hr/>
	66,884
	<hr/> <hr/>
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)
	<hr/>
	(89,075)
	<hr/> <hr/>

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.

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
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.

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
	<u>5,460</u>	<u>6,240</u>

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
	<u>49,140</u>	<u>62,400</u>	<u>34,811</u>	<u>38,276</u>

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.

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
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 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
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.

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	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Transactions:		
Property rental income (<i>Note i</i>)	28,841	26,401
Manager remuneration paid (<i>Note ii</i>)	4,314	13,968
Property leasing commission and management fees paid (<i>Note iii</i>)	2,342	2,334
Acquisition of a subsidiary (<i>Note iv</i>)	–	150,000
	<u> </u>	<u> </u>

	2003 HK\$'000	2002 HK\$'000
Balances:		
Trade and other receivables (<i>Note v</i>)	19,042	10,490
Trade and other payables (<i>Note v</i>)	27,445	30,231
Long term loan payable (<i>Note vi</i>)	168,224	168,224

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.

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>)	(70,012)	(40,497)
	Purchase of coals (<i>Note v</i>)	27,416	–
		<u> </u>	<u> </u>

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.

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.

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.

- (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

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued and fully paid share capital/ registered capital	Principal activity
First Great Investments Limited	Hong Kong	HK\$2	Investment holding
Geldy Limited	Hong Kong	HK\$10,000	Property holding
Gold Star Enterprises S.A.	Liberia	US\$10,000	Ship owning
Grandful International Limited	Hong Kong	HK\$2	Investment holding
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
Taicang Xinhaikang***	PRC	RMB84,150,000	Provision of electricity and gas
The NCHK Power (Taicang) Limited	British Virgin Islands	US\$1	Investment holding

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued and fully paid share capital/ registered capital	Principal activity
Top Choice Profits Limited [#]	British Virgin Islands	US\$1	Investment holding
Topower Assets Limited [#]	British Virgin Islands	US\$1	Securities investment
Upperace Developments Ltd. [#]	British Virgin Islands	US\$1	Securities investment
Volgala International Ltd.	British Virgin Islands	US\$1	Securities investment
Well United Investment Limited	British Virgin Islands	US\$1	Investment holding

[#] *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 <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	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>	89,792
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.*

	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, 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							<u>(622,720)</u>
							<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
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,798</u>	<u>–</u>	<u>1,798</u>

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>

For the year ended 31st December, 2002

	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	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.

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
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>8,745</u>	<u>–</u>	<u>8,745</u>

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>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 <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>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>

3. INTERIM RESULTS

Set out below is the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2004 with comparative figures for the six months ended 30th June, 2003 as follows:

Condensed Consolidated Income Statements

	<i>Notes</i>	Six months ended	
		30th June,	2003
		2004	2003
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Turnover	2	256,053	177,428
Cost of sales		<u>(119,718)</u>	<u>(109,081)</u>
Gross profit		136,335	68,347
Other revenue		3,600	4,360
Administrative expenses		(73,413)	(62,340)
Amortisation of intangible assets		–	(399)
Amortisation of deferred licencing income		7,477	7,477
Unrealised holding loss on other investments		(403)	(48)
Surplus arising on revaluation of investment properties		8,000	–
Impairment loss on investments in securities		<u>(5,058)</u>	<u>–</u>
Profit from operations	3	76,538	17,397
Finance costs		(7,628)	(9,942)
Amortisation of goodwill arising on acquisition of associates		(6,344)	(6,578)
Share of profits of associates		11,949	23,647
Allowance for loans to jointly controlled entities		<u>(155)</u>	<u>(274)</u>
Profit before taxation		74,360	24,250
Taxation	4	<u>(3,535)</u>	<u>(3,019)</u>
Profit before minority interests		70,825	21,231
Minority interests		<u>(9,517)</u>	<u>(4,841)</u>
Profit for the period		<u>61,308</u>	<u>16,390</u>
Proposed interim dividend – HK\$0.02 per share (2003: Nil)		<u>17,908</u>	<u>–</u>
Earnings per share	5		
– Basic		<u>7.0 cents</u>	<u>2.0 cents</u>
– Diluted		<u>6.9 cents</u>	<u>Not Applicable</u>

Condensed Consolidated Balance Sheet

	<i>Notes</i>	30th June, 2004 <i>HK\$'000</i> (Unaudited)	31st December, 2003 <i>HK\$'000</i> (Audited)
Non-Current Assets			
Investment properties		706,440	698,440
Hotel properties		647,400	647,400
Property, plant and equipment		969,371	825,912
Interests in associates		521,338	459,255
Interests in jointly controlled entities		2,776	3,659
Investment in a property development project		197,271	197,271
Investments in securities		74,575	79,166
Deposit paid for a hotel project		–	30,000
		<u>3,119,171</u>	<u>2,941,103</u>
Current Assets			
Stores		821	968
Inventories		8,960	7,559
Properties held for resale		5,180	15,600
Trade and other receivables	7	177,728	153,247
Short-term loans receivable		38,332	40,201
Investments in securities		38,446	50,396
Pledged bank deposits		11,903	11,948
Bank balances, deposits and cash		463,791	243,290
		<u>745,161</u>	<u>523,209</u>
Current Liabilities			
Trade and other payables	8	259,996	246,216
Property rental deposits		4,636	4,013
Taxation		3,197	3,028
Bank borrowings – due within one year		230,105	172,675
		<u>497,934</u>	<u>425,932</u>
Net Current Assets			
		<u>247,227</u>	<u>97,277</u>
		<u>3,366,398</u>	<u>3,038,380</u>
Capital and Reserves			
Share capital	9	447,549	403,801
Reserves		2,031,984	1,925,219
		<u>2,479,533</u>	<u>2,329,020</u>
Minority Interests			
		<u>202,016</u>	<u>202,531</u>
Non-Current Liabilities			
Bank borrowings – due after one year		370,797	248,503
Other borrowing		30,290	30,290
Loan from a fellow subsidiary		168,224	168,224
Loan from minority interests of a subsidiary		63,203	–
Deferred licencing income		52,335	59,812
		<u>684,849</u>	<u>506,829</u>
		<u>3,366,398</u>	<u>3,038,380</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30th June, 2004

	Share capital	Share premium	Investment properties revaluation reserve	Hotel properties revaluation reserve	Exchange translation reserve	Capital redemption reserve	Goodwill reserve	PRC statutory reserves	Other capital reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2003	403,761	1,458,243	-	9,660	(557)	15,906	(58,892)	4,435	164,137	239,726	2,236,419
Profits for the period	-	-	-	-	-	-	-	-	-	16,390	16,390
At 30th June, 2003	<u>403,761</u>	<u>1,458,243</u>	<u>-</u>	<u>9,660</u>	<u>(557)</u>	<u>15,906</u>	<u>(58,892)</u>	<u>4,435</u>	<u>164,137</u>	<u>256,116</u>	<u>2,252,809</u>
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
Issue of shares	50,000	-	-	-	-	-	-	-	-	-	50,000
Premium arising on issue of shares	-	112,816	-	-	-	-	-	-	-	-	112,816
Exercise of share options	1,180	-	-	-	-	-	-	-	-	-	1,180
Premium arising on issue of shares after exercise of share options	-	566	-	-	-	-	-	-	-	-	566
Shares repurchased and cancelled:											
- Repurchased of ordinary shares	(7,432)	-	-	-	-	-	-	-	-	-	(7,432)
- Premium on shares repurchased	-	-	-	-	-	-	-	-	-	(14,219)	(14,219)
- Transfer	-	-	-	-	-	7,432	-	-	-	(7,432)	-
Transfer	-	-	-	-	-	-	-	885	-	(885)	-
Dividend	-	-	-	-	-	-	-	-	-	(53,706)	(53,706)
Profits for the period	-	-	-	-	-	-	-	-	-	61,308	61,308
At 30th June, 2004	<u>447,549</u>	<u>1,571,645</u>	<u>31,659</u>	<u>-</u>	<u>(535)</u>	<u>23,338</u>	<u>(58,892)</u>	<u>6,155</u>	<u>164,137</u>	<u>294,477</u>	<u>2,479,533</u>

Condensed Consolidated Cash Flow Statement*For the six months ended 30th June, 2004*

	Six months ended	
	30th June,	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash from operating activities	109,744	107,248
Net cash used in investing activities	(148,095)	(285,098)
Net cash from financing activities	<u>258,852</u>	<u>127,007</u>
Net increase (decrease) in cash and cash equivalents	220,501	(50,843)
Cash and cash equivalents at beginning of the period	<u>243,290</u>	<u>347,123</u>
Cash and cash equivalents at end of the period	<u><u>463,791</u></u>	<u><u>296,280</u></u>
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	171,663	200,900
Short term bank deposits	<u>292,128</u>	<u>95,380</u>
	<u><u>463,791</u></u>	<u><u>296,280</u></u>

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

The accounting policies adopted in the preparation of the condensed financial statements are consistent with those followed in the preparation of the Group’s annual audited financial statements for the year ended 31st December, 2003.

2. TURNOVER AND SEGMENTS INFORMATION

For the six months period ended 30th June, 2004

	Supply of electricity and gas <i>HK\$'000</i>	Shipping <i>HK\$'000</i>	Property investment and management <i>HK\$'000</i>	Hotel and restaurant operations <i>HK\$'000</i>	Manu- facturing and media <i>HK\$'000</i>	Financial Services <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>
<i>By principal activity</i>								
REVENUE								
External revenue	72,410	66,121	45,165	31,845	30,015	10,497	–	256,053
Inter-segment revenue	–	–	120	–	–	–	(120)	–
Total revenue	<u>72,410</u>	<u>66,121</u>	<u>45,285</u>	<u>31,845</u>	<u>30,015</u>	<u>10,497</u>	<u>(120)</u>	<u>256,053</u>
CONTRIBUTION TO PROFIT FROM OPERATIONS								
	<u>12,149</u>	<u>45,135</u>	<u>19,658</u>	<u>7,037</u>	<u>1,941</u>	<u>4,792</u>		90,712
Central administrative expenses								(14,174)
Profit from operations								76,538
Finance costs								(7,628)
Amortisation of goodwill arising on acquisition of associates	(217)	–	–	–	(6,127)	–		(6,344)
Share of profits (losses) of associates	9,803	–	4,380	–	(2,687)	453		11,949
Allowance for loans to jointly controlled entities	–	–	(155)	–	–	–		(155)
Profit before taxation								74,360
Taxation								(3,535)
Profit before minority interests								<u>70,825</u>

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

	The PRC* other than Hong Kong HK\$'000	Other parts of the world HK\$'000	Hong Kong HK\$'000	Total HK\$'000
REVENUE	<u>176,482</u>	<u>66,121</u>	<u>13,450</u>	<u>256,053</u>

* The People's Republic of China

For the six months period ended 30th June, 2003

	Supply of electricity and gas HK\$'000	Shipping HK\$'000	Property investment and management HK\$'000	Hotel and restaurant operations HK\$'000	Manu- facturing and media HK\$'000	Financial services HK\$'000	Eliminations HK\$'000	Total HK\$'000
<i>By principal activity</i>								
REVENUE								
External revenue	84,505	24,067	30,961	6,717	23,264	7,914	–	177,428
Inter-segment revenue	<u>5,383</u>	<u>–</u>	<u>120</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(5,503)</u>	<u>–</u>
Total revenue	<u>89,888</u>	<u>24,067</u>	<u>31,081</u>	<u>6,717</u>	<u>23,264</u>	<u>7,914</u>	<u>(5,503)</u>	<u>177,428</u>
CONTRIBUTION TO PROFIT FROM OPERATIONS	<u>11,400</u>	<u>3,356</u>	<u>7,734</u>	<u>211</u>	<u>(3,310)</u>	<u>7,573</u>		26,964
Central administrative expenses								<u>(9,567)</u>
Profit from operations								17,397
Finance costs								(9,942)
Amortisation of goodwill arising on acquisition of associates	(451)	–	–	–	(6,127)	–		(6,578)
Share of profits (losses) of associates	9,740	–	12,408	–	(319)	1,818		23,647
Allowance for loans to jointly controlled entities	–	–	(274)	–	–	–		<u>(274)</u>
Profit before taxation								24,250
Taxation								<u>(3,019)</u>
Profit before minority interests								<u>21,231</u>

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

	The PRC other than Hong Kong HK\$'000	Other parts of the world HK\$'000	Hong Kong HK\$'000	Total HK\$'000
REVENUE	<u>143,357</u>	<u>24,067</u>	<u>10,004</u>	<u>177,428</u>

3. PROFIT FROM OPERATIONS

	Six months ended	
	30th June, 2004 HK\$'000	30th June, 2003 HK\$'000
Profit from operations has been arrived at after charging:		
Depreciation and amortisation of property, plant and equipment	31,075	29,745
Loss on disposal of properties held for resale	1,162	–
Loss on disposal of investment properties	–	1,915
and after crediting:		
Release of negative goodwill to other revenue	<u>–</u>	<u>440</u>

4. TAXATION

	Six months ended	
	30th June, 2004 HK\$'000	30th June, 2003 HK\$'000
The charge comprises:		
Hong Kong profits tax calculated at 17.5% (six months period ended 30th June, 2003: 17.5%) of the estimated assessable profits for the period	–	–
PRC income tax	<u>2,955</u>	<u>2,147</u>
Share of taxation of associates	<u>2,955</u> 580	<u>2,147</u> 872
	<u>3,535</u>	<u>3,019</u>

Hong Kong profits tax has not been provided as the Group has no estimated assessable profits which were earned in or derived from Hong Kong during the period.

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

5. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six months ended 30th June, 2004 is based on the following data:

	Six months ended	
	30th June, 2004 <i>HK\$'000</i>	30th June, 2003 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share – profit for the period	61,308	16,390

	Six months ended	
	30th June, 2004 <i>Number of shares</i>	30th June, 2003 <i>Number of shares</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	877,660,976	807,522,200
Effect of dilutive potential ordinary shares in respect of share options	14,393,676	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	892,054,652	807,522,200

6. TRANSFERS TO AND FROM RESERVES

During the six months period ended 30th June, 2004, the nominal value of shares repurchased of HK\$7,432,000 was transferred from accumulated profits to capital redemption reserve and the premium on shares repurchased of HK\$14,219,000 was charged to accumulated profits. In addition, a subsidiary of the Group in the PRC appropriated net of minority interests' share of approximately HK\$885,000 out of accumulated profits to the PRC statutory reserves.

There was no transfer to and from reserves during the six months period ended 30th June, 2003.

7. 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:

	30th June, 2004 <i>HK\$'000</i>	31st December, 2003 <i>HK\$'000</i>
0 to 30 days	31,704	29,774
31 to 90 days	6,964	9,667
More than 90 days	7,328	562
Total trade receivables	45,996	40,003
Receivables on disposal of subsidiaries	37,383	47,664
Other receivables	94,349	65,580
	177,728	153,247

8. TRADE AND OTHER PAYABLES

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

	30th June, 2004	31st December, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	4,684	10,817
31 to 90 days	2,121	908
More than 90 days	5,782	5,059
	<hr/>	<hr/>
Total trade payables	12,587	16,784
Other payables	247,409	229,432
	<hr/>	<hr/>
	259,996	246,216
	<hr/> <hr/>	<hr/> <hr/>

9. SHARE CAPITAL

	Number of Shares	Nominal value <i>HK\$'000</i>
Ordinary shares of HK\$0.50 each		
<i>Authorised:</i>		
At 1st January, 2004 and at 30th June, 2004	1,200,000,000	600,000
	<hr/> <hr/>	<hr/> <hr/>
<i>Issued and fully paid:</i>		
At 1st January, 2004	807,602,200	403,801
Issue of shares	100,000,000	50,000
Exercise of share options	2,360,000	1,180
Shares repurchased and cancelled	(14,864,000)	(7,432)
	<hr/>	<hr/>
At 30th June, 2004	895,098,200	447,549
	<hr/> <hr/>	<hr/> <hr/>

10. CONTINGENT LIABILITIES

At 30th June, 2004, the Company had given guarantees of approximately HK\$114 million (31st December, 2003: HK\$129 million) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

In addition, at 30th June, 2004, the Group had given a guarantee of approximately HK\$14.3 million (31st December, 2003: HK\$14.3 million) to a bank in respect of credit facilities granted to prospective purchasers of properties developed by a jointly controlled entity of the Group.

11. Capital commitments

	The Group	
	30th June, 2004	31st December, 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted for but not provided in the financial statements in respect of:		
– acquisition of property, plant and equipment	12,417	13,463
– acquisition of interests in unlisted companies	31,381	78,110
	<u>43,798</u>	<u>91,573</u>
Capital expenditure authorised but not contracted for in respect of:		
– acquisition of interests in unlisted companies	–	71,000
	<u>–</u>	<u>71,000</u>

2. INDEBTEDNESS

Disclaimer

Save as disclosed below and apart from intra-group liabilities, and normal trade and other payables, at the close of business on 31st October, 2004, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, term loans, debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills and payables) or acceptance credits, debentures, mortgages, charges, hire purchase or other finance lease commitments, guarantees or other material contingent liabilities.

Liquidity and capital structure

As at 30th June, 2004, the shareholders' funds of the Group amounted to HK\$2,480,000,000 (31st December, 2003: HK\$2,329,000,000), while the net asset value per share was HK\$2.77 (31st December, 2003: HK\$2.88). As at 30th June, 2004, the Group's gearing ratio (on the basis of the amount of total liabilities less total bank balances divided by shareholders' funds) was 28.5% (31st December, 2003: 29.1%).

Borrowings

As at the close of business on 31st October, 2004, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following outstanding borrowings:

	<i>HK\$'000</i>
Bank loans (<i>Note A</i>)	
– secured	501,771
– unsecured	<u>30,938</u>
	532,709
Other borrowings (<i>Note B</i>)	30,290
Loan from a fellow subsidiary (<i>Note C</i>)	<u>168,224</u>
	<u><u>731,223</u></u>

Notes:

- A. The maturity of the bank loans is as follows:

	<i>HK\$'000</i>
On demand or within one year	192,149
More than one year, but not exceeding two years	171,660
More than two years, but not exceeding five years	<u>168,900</u>
	<u><u>532,709</u></u>

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

- B. The amount was secured by 41.666% of the Company's interest in Winterthur Insurance (Asia) Limited, an associated company of the Group, bore interest at 6% simple rate per annum and was repayable on 21st November, 2010.
- C. The loan was unsecured, interest-free and repayable upon expiration of the joint venture term of Poly Plaza Limited, a subsidiary of the Company.

Pledge of assets

As at 31st October, 2004, the net book value of the Group's assets which were pledged to secure credit facilities granted to the Group are as follows:

	<i>HK\$'000</i>
Hotel properties	647,400
Investment properties	680,958
Motor vessels	274,816
Other plant and equipment	98,181
Land and buildings	178,911
Bank deposits	11,070
	<u>1,891,336</u>

As at 31st October, 2004, shares in certain subsidiaries and an associated company were also pledged to secure credit facilities granted to the Group.

Contingent liabilities

At 31st October, 2004, the Company had given guarantees to certain banks in respect of credit facilities granted to certain subsidiaries of the Company and the amount utilised was approximately HK\$90 million.

In addition, at 31st October, 2004, the Group had 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.

3. CURRENT TRADING AND PROSPECTS

For the six months ended 30th June, 2004, the Group recorded a turnover of HK\$256,053,000, representing an increase of HK\$78,625,000 or 44.3% as compared with the corresponding period last year. The increase was mainly due to the increase of vessels charterhire income. Profit for the period was HK\$61,308,000, representing an increase of HK\$44,918,000 or 274% as compared with the corresponding period last year. The increase was mainly attributable to the contribution from bulk carriers and Poly Plaza.

I. Property development and investment

1. *Poly Plaza*

The Group holds 75% equity interests in Poly Plaza and a gross profit of approximately RMB32,000,000 was realized in the first half of the year. The overall results were mainly driven by the business growth of hotel suites. After the completion of renovation works of the hotel tower in September 2003, both the exterior of the tower and the level of hotel suite facilities were enhanced. In the first half of the year, Beijing has walked out from the shadow of the outbreak of SARS and tourism and business conferences were benefited from a complete rebound. It has driven the demand for hotel suites and the average occupancy rate of hotel tower reached 78% and the average hotel rates were RMB530 per day in the first half of the year, representing growths of 1.7% and 17% respectively as compared to the corresponding period last year.

2. *Shanghai Stock Exchange Building*

At 30th June, 2004 the Group owns 27% attributable interests in Shanghai Stock Exchange Building, in which the Group directly owns six floors with an aggregate floor area of approximately 13,900 sq.m. and holds 40% equity interests in a joint venture company which owns a floor area of approximately 34,000 sq.m. The average occupancy rate and rental rate were generally heightened. As at the end of June, the occupancy rate of Shanghai Stock Exchange Building remained above 90%, representing an increase of 10% as compared to the corresponding period last year while the average daily rental rate was US\$0.50 per sq.m. It is expected that the aggregate occupancy rate of the building would reached 95% in the second half of the year.

3. *Jinrong Street office building project*

The Group owns 49% equity interests in Tong Sun Limited. The sole asset of Tong Sun Limited is its co-operative joint venture interest in a Grade A office building development project located at Beijing Jinrong Street with a gross floor area of approximately 128,800 sq.m. In December 2003, Tong Sun Limited successfully disposed the entire office building to a sole purchaser and 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 after the completion of the disposal.

4. *Guangzhou hotel project*

The project is located in Tian He District, Guangzhou and proximate to the Guangzhou East Train Station. A five-star ranking business hotel with a gross floor area of approximately 60,000 sq.m. and approximately 400 suites will be built upon. The Group owns 51% interest in the project and it is expected the hotel will commence operation in late 2006.

II. Cogeneration operations and other investment projects

1. *Cogenerations*

In the first half of the year, the Group has completed the acquisition of 36.75% interests of Xuzhou Western Co-generation and 29.4% interests of Funing Co-generation in Jiangsu Province. The purchase price of the two cogenerations was HK\$71,000,000 in total. Currently, the Group holds equity interests ranging from 29.4% to 51% in the five cogenerations in the Yangtze River Delta.

Due to the addition of two newly-acquired cogenerations and the completion of the expansion project of Taicang Co-generation, the aggregate power generation capacity and sales volume increased for approximately 50% and 53% respectively as compared with the corresponding period last year. However, the domestic price of coal is escalating and the average power generation cost increased for 28% to 50% in the first half of the year. For the six months ended 30th June, 2004, the Group's share of unaudited profit in those five cogenerations was HK\$17,000,000, maintaining the same level with that of the preceding year.

2. *Cultural media and products*

New Satellite TV Cartoon Channel ("Cartoon Channel")

Prior to obtaining approval of the right to broadcast programs in the PRC, the Cartoon Channel upheld the low cost operation. With effective cost control during the period, the Channel was managed to attain a better balance in the first half of the year than the corresponding period last year.

Polystar Digidisc Co. Ltd. ("Polystar")

The third phase of plant expansion of Polystar has been completed and the plant was successfully relocated to Beijing Shunyi District Tian Zhu Airport Industrial Zone (北京順義區天竺空港工業區) in May this year. At present, the annual disc production capacity of Polystar reached 80,000,000 pieces and Polystar has established itself as a disc production enterprise which is highly competitive in terms of production scale. In the first half of 2004, Polystar recorded a total sales of RMB31,117,000 and a net profit of RMB6,760,000.

III. New Projects

1. *Shanghai Stock Exchange building*

On 11th August, 2004, the Group has entered into the Shanghai Properties Acquisition Agreement to acquire 60% equity interests in Shanghai Puly Real Estate for a consideration of RMB258,000,000 (about HK\$241,121,000). The assets of Shanghai Puly Real Estate include several office units with a gross floor area of approximately 26,603 sq.m., basement with a gross floor area of approximately 7,603 sq.m. and auxiliary facilities in the Shanghai Stock Exchange Building, Shanghai, the PRC.

2. *Wuhan Hotel project*

Also on 11th August, 2004, the Group has entered into the Hubei Properties Acquisition Agreement to acquire 100% equity interests in Hubei White Rose for RMB55,000,000 (about HK\$51,402,000). The Group also agreed to provide a shareholders' loan of RMB99,949,000 (about HK\$93,410,000). On completion of the Hubei Properties Acquisition Agreement, Hubei White Rose will own a 24-storey hotel called "Hubei White Rose Hotel" (湖北白玫瑰大酒店) which provides hotel and auxiliary service, White Rose Hostel (武漢白玫瑰賓館) and ancillary buildings.

3. *Port and Oils & Grains Companies*

On 23rd August, 2004, the Group has entered into agreements to subscribe for 35 per cent. of the equity interests in both Port and Oils & Grains Companies located in Guangdong Province for a cash consideration of HK\$77,532,000 and HK\$35,490,000 respectively. The Directors consider the investment in deep water port business would diversify the investment portfolio and will broaden the sources of income of the Group.

Together with the current cash balances, available banking facilities and cash revenue from business operations, we believed that the Group has sufficient resources to meet the funding requirement for the abovementioned new investments.

Staff

As at 30th June, 2004, the Group employed about 1,300 staff with remuneration for the period amounted to approximately HK\$22,000,000. 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. The Disposal is not expected to affect the financial and operational positions in any adverse manner.

4. WORKING CAPITAL

After due and careful enquiry by the Directors, they are of the opinion that, upon completion of the Disposal and based on the present available facilities to the Group of HK\$300,000,000 and internal resources, the Group will have sufficient working capital for its present requirement of the next 12 months from the date of this circular.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executives (if any) of the Company had, or was deemed to have any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO including interests and short positions which they were taken or deemed to have under such provisions of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

Name of Director	Interests in the Company or its associated corporation	Capacity in holding interest	Long/short position	Date of grant	Exercise price (HK\$)	No. of underlying Shares pursuant to share options	Approximate percentage of securities in the same class of securities
WANG Jun	The Company	Beneficial owner	Long position	3/9/1997	5.175	6,000,000	1.73%
				5/6/1998	1.37	4,500,000	
				30/11/2000	0.74	5,000,000	
HE Ping	The Company	Beneficial owner	Long position	3/9/1997	5.175	6,000,000	1.73%
				5/6/1998	1.37	4,500,000	
				30/11/2000	0.74	5,000,000	
LI Shi Liang	The Company	Beneficial owner	Long position	30/11/2000	0.74	5,000,000	0.56%

Note: As at the Latest Practicable Date, the above Directors had outstanding options to subscribe for the respective number of Shares pursuant to the share option scheme of the Company adopted on 16th June, 1993. All of such options are exercisable after one year from the date of grant of the relevant share option to 10 years from the date of such grant.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries, which was subsisting and was significant in relation to the business of the Group.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, so far as is known to any Director or chief executive (if any) of the Company, no person (not being a Director, chief executive (if any) of the Company nor any member of the Group), has an interest or short positions in the Shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provision of the SFO) or who is directly or indirectly interested in five per cent. or more of the nominal value of any class of shares carrying rights to vote in all circumstances at general meetings of any member of the Group.

(a) Interest in the issued ordinary shares of the Company

Name	Capacity in holding interest	Long/short position	No. of underlying Shares held	Approximate percentage of the Company's total issued share capital
Chee Ying Cheung	Beneficial owner	Long position	63,000,000	7.04%
Musical Insight Holdings Limited	Beneficial owner	Long position	44,658,800	4.99%
Wincall Holding Limited	Beneficial owner	Long position	55,428,000	6.19%
Congratulations Company Limited	Beneficial owner	Long position	169,845,000	18.97%
Source Holdings Limited (<i>Note 1</i>)	Beneficial owner and interest of controlled corporation	Long position	328,485,560	36.69%
Ting Shing Holdings Limited (<i>Note 2</i>)	Interest of controlled corporation	Long position	498,330,560	55.65%

Name	Capacity in holding interest	Long/short position	No. of underlying Shares held	Approximate percentage of the Company's total issued share capital
Ringo Trading Limited (<i>Note 3</i>), (<i>Note 6</i>) and (<i>Note 7</i>)	Beneficial owner and interest of controlled corporation	Long position	539,875,036	60.29%
China Poly (<i>Note 4</i>) and (<i>Note 5</i>)	Interest of controlled corporation	Long position	539,875,036	60.29%

Notes:

1. Source Holdings Limited has direct holding of 228,398,760 Shares and is deemed by the SFO to be interested in 100,086,800 Shares as a result of its indirect holdings of the Shares through its wholly-owned subsidiaries, Wincall Holding Limited (55,428,000 Shares) and Musical Insight Holdings Limited (44,658,800 Shares).
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 Limited.
3. Ringo Trading Limited has direct holding of 41,544,476 Shares and 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 wholly-owned subsidiary, Ting Shing Holdings Limited.
4. China Poly owns 100% of Ringo Trading Limited and is accordingly deemed by the SFO to be interested in the Shares directly and indirectly owned Ringo Trading Limited.
5. Mr. He Ping, the Vice-Chairman and an executive director of the Company, is the Vice-Chairman of China Poly.
6. Mr. Li Shi Liang, the managing director and an executive director of the Company, is a director of Ringo Trading Limited.
7. Mr. Chen Hong Sheng, an executive director of the Company, is a director of Ringo Trading Limited.

(b) Interest in the issued ordinary shares of Poly Plaza Limited, a subsidiary of the Company

Name	Percentage of issued capital
China Poly	25.00%

(c) Interest in the issued ordinary shares of Polystar Digidisc Co., Ltd., a subsidiary of the Company

Name	Percentage of issued capital
China Poly	34.00%

(d) Interest in the issued ordinary shares of Taicang Xinhaikang Xiexin Thermal Power Co., Ltd., a subsidiary of the Company

Name	Percentage of issued capital
Suzhou Power Investment Company	49.00%

MATERIAL INTERESTS

At as the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31st December, 2003 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to the Company or any of its subsidiaries.

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the business of the Group.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into a service contract with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without compensation, other than statutory compensation.

LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group is engaged in any litigation or arbitration proceedings of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

MATERIAL CONTRACTS

Save as disclosed below, neither the Company nor any other members of the Group has entered into any material contracts (not being entered into in the ordinary course of business carried out by the Group) within the two years preceding the Latest Practicable Date:

- (i) an agreement dated 23rd August, 2004 entered into between Prime Harvest Investment Limited, a wholly-owned subsidiary of the Company, 陽光市保豐碼頭有限公司 (Yang Jiang City Po Fung Port Company Limited) (“Port Company”), 廣東豐源糧油工業有限公司 (Guangdong Fung Yuan Oils & Grains Industrial Company Limited) (“Oils & Grains Company”), 陽江市豐源糧油工業有限公司 (Yang Jiang City Fung Yuan Oils & Grains Industrial Company Limited) and Legend Vantage Holdings pursuant to which, Prime Harvest Investment Limited agreed to subscribe for 35% of the enlarged registered capital of each of Oils & Grains Company and Port Company for an aggregate consideration of US\$14,490,000 (equivalent to approximately HK\$113,022,000);
- (ii) a conditional agreement dated 5th February, 2004 entered into between the Company and Ringo Trading Limited, the substantial shareholder of the Company for the subscription of up to a maximum amount of 100,000,000 shares of the Company at a price of HK\$1.66 per share with gross proceeds of about HK\$166 million as part of the top-up placement exercise of the Company through CITIC Capital Markets Limited as placing agent. The costs and expenses in respect of the top-up placement exercise were about HK\$3 million and the net proceeds were thus about HK\$163 million;
- (iii) an agreement dated 11th August, 2004 entered into between Johnsbury Limited (“Johnsbury”), an indirect wholly owned subsidiary of the Company and 上海三利實業有限公司 (Shanghai Sanli Enterprise Company Limited) (“Shanghai Sanli”), an indirect wholly owned subsidiary of China Poly, pursuant to which Johnsbury agreed to buy and Shanghai Sanli agreed to sell a 60% interest in 上海浦利房地產發展有限公司 (Shanghai Puly Real Estate Development Company Limited) for an aggregate consideration of RMB258,000,000 (equivalent to approximately HK\$242,254,000); and

- (iv) an agreement dated 11th August, 2004 entered into between Smart Best Investments Limited (“Smart Best”) an indirect wholly-owned subsidiary of the Company as a buyer and Poly Shanghai Group Company Limited (“Poly Shanghai”) and Poly Hua Zhong Enterprise Development Company (“Poly Enterprise”) jointly as sellers in which Smart Best agreed to buy and Poly Shanghai and Poly Enterprise agreed to sell an 100% equity interest in Hubei White Rose for an aggregate consideration of RMB154,949,000 (equivalent to approximately HK\$145,492,000).

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2003, being the latest published audited financial statements of the Company.

GENERAL

- (a) The secretary and the qualified accountant of the Company is Mr. HO Kwok Pang, George. Mr. Ho is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (b) The registered office of the Company is situated at Room 2503, 25th Floor, Tower 1, Admiralty Center, 18 Harcourt Road, Hong Kong.
- (c) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited of Shops 1712-1216, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Company at Room 2503, Admiralty Centre, Tower 1, 18 Harcourt Road, Hong Kong up to and including 16th December, 2004.

- (a) the memorandum and articles of association of the Company;
- (b) the 2002 and 2003 annual reports of the Company for the two financial years ended 31st December, 2002, 2003 respectively;
- (c) the written approval given by Ringo Trading Ltd. in relation to the Disposal dated 12th November, 2004;

- (d) the circular issued by the Company dated 6th February, 2004, in relation to the acquisition of a 36.75% interest in Xuzhou Co-generation and 29.4% interest in Funing Co-generation;
- (e) the circular issued by the Company dated 30th April, 2004, on the general mandate to issue and repurchase Shares;
- (f) the circular issued by the Company dated 6th February, 2004, in relation to the acquisition of 35% of the enlarged registered capital of each of the Oils & Grains Company and Port Company;
- (g) the circular issued by the Company dated 29th October, 2004, in relation to the acquisition of certain properties in the PRC;
- (h) the Agreements; and
- (i) the material contracts referred to in the section headed “Material contracts” in this appendix.