

Notes to the Financial Statements

For the year ended 31st December, 2002

1. GENERAL

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

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

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

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants. The adoption of these new and revised SSAPs has resulted in a change in the format of presentation of the cash flow statement and the inclusion of the statement of changes in equity but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required. Further details of these new and revised SSAPs are as follows:

Foreign currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of subsidiaries denominated in currencies other than Hong Kong dollars at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting years.

Cash flow statements

Under SSAP 15 (Revised) "Cash Flow Statement", cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest income, interest expenses and dividends paid and received, which were previously presented under a separate heading, are classified as investing, operating or financing cash flows, as appropriate. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

Notes to the Financial Statements

For the year ended 31st December, 2002

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

Employee benefits

SSAP 34 "Employee Benefits" introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

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

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

Notes to the Financial Statements

For the year ended 31st December, 2002

3. SIGNIFICANT ACCOUNTING POLICIES

Negative goodwill

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

Negative goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves, and will be credited to the income statement at the time of disposal of the relevant subsidiary.

Negative goodwill arising on acquisitions prior to 1st January, 2001 is presented as deduction from assets. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Investments in subsidiaries

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

Interests in associates

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

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

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.

Notes to the Financial Statements

For the year ended 31st December, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly controlled entities (Continued)

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities on acquisition in so far as it has not already been written off, 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 by a third party are recognised on a straight line basis over the period of the respective licence agreement.

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

Notes to the Financial Statements

For the year ended 31st December, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

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

Investment properties

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

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

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

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

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.

Notes to the Financial Statements

For the year ended 31st December, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hotel properties (Continued)

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

Property, plant and equipment

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

Notes to the Financial Statements

For the year ended 31st December, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

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

Intangible assets

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

Stores

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

Inventories

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

Retirement benefits scheme contributions

Payments to Group's defined contribution retirement benefits schemes and Mandatory Provident Fund Scheme are charged as an 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.

Notes to the Financial Statements

For the year ended 31st December, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

Foreign currencies

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

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

Notes to the Financial Statements

For the year ended 31st December, 2002

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:

	2002 HK\$'000	2001 HK\$'000
Sales of electricity and gas	147,840	36,619
Rental income and property management	72,732	63,736
Income from hotel operation	55,717	51,689
Sale proceeds from disposal of investment securities	47,479	26,014
Vessel charterhire income	46,680	70,685
Sales of goods	45,859	54,272
Interest income from investments	8,929	17,062
Management fees	7,500	12,000
Dividend income	6,202	5,661
Shipment handling fees	2,113	4,238
	<u>441,051</u>	<u>341,976</u>

Notes to the Financial Statements

For the year ended 31st December, 2002

5. (LOSS) PROFIT FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
(Loss) profit from operations has been arrived at after charging:		
Staff costs		
– directors' emoluments (<i>note 6</i>)	1,678	3,932
– other staff costs	57,659	51,119
– other staff's retirement benefits scheme contributions, net of forfeited contribution of nil (2001: HK\$748,000)	4,057	2,653
	63,394	57,704
Auditors' remuneration		
– current year	1,144	1,086
– underprovision in a prior year	349	–
Depreciation and amortisation of property, plant and equipment	67,541	51,043
Loss on disposal of property, plant and equipment	2,449	1,403
Operating lease rentals in respect of land and buildings	3,486	3,705
and after crediting:		
Property rental income, net of outgoing of HK\$6,392,000 (2001: HK\$5,738,000)	57,272	45,382
Release of negative goodwill to other operating income	879	233

Notes to the Financial Statements

For the year ended 31st December, 2002

6. DIRECTORS' EMOLUMENTS

	2002 HK\$'000	2001 HK\$'000
Directors' fees:		
Executive	80	80
Independent non-executive	110	110
	<u>190</u>	<u>190</u>
Other emoluments of executive directors:		
Salaries and other benefits	1,394	3,538
Retirement benefits scheme contributions	94	204
	<u>1,488</u>	<u>3,742</u>
Total directors' emoluments	<u>1,678</u>	<u>3,932</u>

The emoluments of the directors were within the following bands:

	2002 Number of directors	2001 Number of directors
Nil to HK\$1,000,000	7	8
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	<u>–</u>	<u>1</u>

7. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals included one (2001: three) executive director(s) of the Company, whose emoluments are included in note 6 above. The aggregate emoluments of the remaining four (2001: two) highest paid individuals are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	3,364	1,957
Retirement benefits scheme contributions	105	86
	<u>3,469</u>	<u>2,043</u>

Notes to the Financial Statements

For the year ended 31st December, 2002

7. EMPLOYEES' EMOLUMENTS (Continued)

The emoluments of the remaining four (2001: two) highest paid individuals were within the following bands:

	2002 Number of employees	2001 Number of employees
Nil to HK\$1,000,000	3	1
HK\$1,000,001 to HK\$1,500,000	<u>1</u>	<u>1</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

	2002 HK\$'000	2001 HK\$'000
Interest on bank borrowings:		
– wholly repayable within five years	15,233	18,123
– repayable after five year	<u>3,657</u>	<u>–</u>
	<u>18,890</u>	<u>18,123</u>

9. LOSS ON DISPOSAL OF AN ASSOCIATE

This represents the loss on disposal of the Group's entire 40.37% equity interest in a listed associated company, Poly Investments Holdings Limited ("Poly"), 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.

Notes to the Financial Statements

For the year ended 31st December, 2002

10. TAXATION

	2002 HK\$'000	2001 HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the year	3	3
PRC income tax	<u>5,292</u>	<u>1,809</u>
	5,295	1,812
Share of taxation of an associate	<u>387</u>	<u>107</u>
	<u><u>5,682</u></u>	<u><u>1,919</u></u>

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 36.

11. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of HK\$128,994,000 (2001: HK\$14,825,000) and on the weighted average number of 809,685,704 shares (2001: 815,632,916 shares) in issue during the year.

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

12. INVESTMENT PROPERTIES

	HK\$'000
THE GROUP VALUATION	
At 1st January, 2002	775,200
Deficit arising on revaluation	<u>(46,226)</u>
At 31st December, 2002	<u><u>728,974</u></u>

Notes to the Financial Statements

For the year ended 31st December, 2002

12. INVESTMENT PROPERTIES (Continued)

The investment properties of the Group were revalued at 31st December, 2002 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 has been charged to the consolidated income statement.

The carrying value of investment properties comprises:

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Properties held under		
– long leases in Hong Kong	40,000	42,000
– long-term land use rights in the PRC (Note)	312,000	312,000
– medium-term land use rights in the PRC	376,974	421,200
	<u>728,974</u>	<u>775,200</u>

Note: The hotel properties and certain investment properties and other buildings with an aggregate net book value of approximately HK\$970.8 million (2001: HK\$981.7 million) comprise the Poly Plaza held by the Group in the PRC. The land on which Poly Plaza is situated is state-owned and the Group has been granted the right to use the land for a term of 17 years expiring on 8th July, 2003 at no cost. Pursuant to a deed dated 11th June, 1997 entered into between the Group and China Poly Group, China Poly Group has guaranteed the successful application for the extension of the joint venture term of the Company's subsidiary, Poly Plaza Limited ("PPL"), and the land use right of Poly Plaza up to the year 2053 on the same terms and at the payment of all premium, charges and fees for such extension by China Poly Group. China Poly Group further undertakes that if the joint venture term or the land use right is not so extended, the Group will have a put option exercisable before 31st March, 2004 to require China Poly Group to purchase back PPL at its consideration on acquisition together with interest at 12% per annum for the entire period of investment, less distribution of profits already received, if any. In the opinion of the directors, the joint venture term and the land use right can be extended upon expiration.

13. HOTEL PROPERTIES

HK\$'000

THE GROUP
VALUATION

At 1st January, 2002 and at 31st December, 2002 608,400

The hotel properties of the Group were revalued at 31st December, 2002 on an open market value existing use basis by AA Property Services Limited, an independent firm of professional property valuers.

Notes to the Financial Statements

For the year ended 31st December, 2002

13. HOTEL PROPERTIES (Continued)

If the Group's hotel properties had not been revalued, they would have been included on a historical cost basis at carrying value of HK\$595.5 million (2001: HK\$595.5 million).

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

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Motor vessels HK\$'000	Plant and machinery HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP							
COST OR VALUATION							
At 1st January, 2002	344,603	90,798	7,098	579,294	353,593	14,453	1,389,839
Additions	979	2,853	2,272	–	14,588	37,097	57,789
Transfer	287	3,894	–	–	32,309	(36,490)	–
Disposals	(3,965)	(1,897)	(1,562)	(115,050)	(862)	–	(123,336)
Disposals on dilution of interest in a subsidiary to an associate	–	(795)	(56)	–	–	–	(851)
At 31st December, 2002	341,904	94,853	7,752	464,244	399,628	15,060	1,323,441
Comprising:							
At cost	198,372	94,853	7,752	464,244	399,628	15,060	1,179,909
At valuation –1995	27,893	–	–	–	–	–	27,893
–1997	115,639	–	–	–	–	–	115,639
	341,904	94,853	7,752	464,244	399,628	15,060	1,323,441
DEPRECIATION AND AMORTISATION AND IMPAIRMENT							
At 1st January, 2002	41,870	73,636	5,105	217,272	59,003	–	396,886
Provided for the year	16,968	4,462	723	20,401	24,987	–	67,541
Eliminated on disposals	(1,489)	(1,578)	(1,562)	(80,167)	(763)	–	(85,559)
Eliminated on dilution of interest in a subsidiary to an associate	–	(334)	(55)	–	–	–	(389)
At 31st December, 2002	57,349	76,186	4,211	157,506	83,227	–	378,479
NET BOOK VALUE							
At 31st December, 2002	284,555	18,667	3,541	306,738	316,401	15,060	944,962
At 31st December, 2001	302,733	17,162	1,993	362,022	294,590	14,453	992,953

Notes to the Financial Statements

For the year ended 31st December, 2002

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	The Group	
	2002	2001
	HK\$'000	HK\$'000
The net book value of land and buildings shown above comprises:		
Properties held under		
– long leases in Hong Kong	126,430	129,301
– medium-term land use rights in the PRC	107,756	112,138
– long-term land use rights in the PRC (Note 12)	50,369	61,294
	<u>284,555</u>	<u>302,733</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\$278,404,000 (2001: HK\$296,525,000).

All motor vessels are held for use under operating leases.

At 31st December, 2001, the management of the Group had reviewed the carrying amount of a motor vessel. An impairment loss of HK\$22,643,000, representing the difference between the estimated selling price and the carrying amount of that motor vessel, had been identified and recognised in the consolidated income statement for the year ended 31st December, 2001. The motor vessel was disposed of during the year ended 31st December, 2002.

Notes to the Financial Statements

For the year ended 31st December, 2002

15. INTANGIBLE ASSETS

	<i>HK\$'000</i>
THE GROUP	
COST	
At 1st January, 2002	18,696
Disposals on dilution of interest in a subsidiary to an associate	(12,543)
	<u>6,153</u>
At 31st December, 2002	<u>6,153</u>
AMORTISATION	
At 1st January, 2002	5,748
Amortisation for the year	4,967
Eliminated on disposals on dilution of interest in a subsidiary to an associate	(4,961)
	<u>5,754</u>
At 31st December, 2002	<u>5,754</u>
NET BOOK VALUE	
At 31st December, 2002	<u><u>399</u></u>
At 31st December, 2001	<u><u>12,948</u></u>

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

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

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

16. INTEREST IN SUBSIDIARIES

	The Company	
	2002	2001
	HK\$'000	HK\$'000
Unlisted shares, at cost	160,056	10,056
Amounts due from subsidiaries less impairment loss recognised	<u>2,130,816</u>	<u>2,027,498</u>
	<u>2,290,872</u>	<u>2,037,554</u>

Notes to the Financial Statements

For the year ended 31st December, 2002

16. INTEREST IN SUBSIDIARIES (Continued)

Details of the Company's principal subsidiaries at 31st December, 2002 are set out in note 44.

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

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

17. NEGATIVE GOODWILL

	<i>HK\$'000</i>
THE GROUP	
GROSS AMOUNT	
At 1st January, 2002 and at 31st December, 2002	15,826
RELEASED TO INCOME	
At 1st January, 2002	233
Released to other revenue in the year	879
At 31st December, 2002	1,112
CARRYING AMOUNT	
At 31st December, 2002	14,714
At 31st December, 2001	15,593

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

Notes to the Financial Statements

For the year ended 31st December, 2002

18. INTEREST IN ASSOCIATES

	The Group		The Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost	–	–	77,060	77,060
Share of net assets of associates:				
Listed	–	226,825	–	–
Unlisted	234,889	86,371	–	–
Goodwill arising on acquisition of an associate (Note)	49,019	61,274	–	–
	<u>283,908</u>	<u>374,470</u>	<u>77,060</u>	<u>77,060</u>
Market value of listed shares at the balance sheet date	<u>–</u>	<u>144,602</u>	<u>–</u>	<u>–</u>

Note: Goodwill arising on acquisition of an associate

	The Group	
	2002	2001
	HK\$'000	HK\$'000
COST		
Balance at 1st January and at 31st December	61,274	61,274
AMORTISATION		
Provided for the year and balance at 31st December	<u>12,255</u>	<u>–</u>
CARRYING AMOUNT		
At 31st December	<u>49,019</u>	<u>61,274</u>

The goodwill arising on acquisition of an associate was amortised over a period of five years.

Notes to the Financial Statements

For the year ended 31st December, 2002

18. INTEREST IN ASSOCIATES (Continued)

Details of the Group's associates at 31st December, 2002 are as follows:

Name of associate	Place of incorporation	Attributable proportion of nominal value of issued capital held by the Company		Principal activities
		directly	indirectly	
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 wholeselling of compact disc, video compact disc and digital video disc

Notes to the Financial Statements

For the year ended 31st December, 2002

18. INTEREST IN ASSOCIATES (Continued)

The following details have been extracted from the unaudited management accounts of Shanghai Puly, the Group's major associate, and the audited financial statements of Poly, the Group's former major associate:

Results for the period/year:

	31.7.2002 (date of acquisition) to 31.12.2002 Shanghai Puly HK\$'000	1.1.2001 to 31.12.2001 Poly HK\$'000
Turnover	10,779	312,340
Profit (loss) before tax and after minority interests	5,328	(25,805)
Profit (loss) before tax and after minority interests attributable to the Group	2,131	(10,417)

Financial position:

	At 31.12.2002 HK\$'000	At 31.12.2001 HK\$'000
Non-current assets	467,290	423,141
Current assets	92,700	507,749
Current liabilities	(209,769)	(314,870)
Non-current liability	–	(11,139)
Minority interests	–	(43,015)
Net assets	350,221	561,866
Net assets attributable to the Group	140,088	226,825

Notes to the Financial Statements

For the year ended 31st December, 2002

19. INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets of jointly controlled entities	–	7,175
Loans to jointly controlled entities	32,947	40,479
Less: allowance for loans to jointly controlled entities	(12,278)	–
	20,669	47,654

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, 2002 are as follows:

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

Notes to the Financial Statements

For the year ended 31st December, 2002

20. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP						
Equity securities:						
Listed	86,701	86,468	34,042	78,634	120,743	165,102
Unlisted	—	—	45,935	13,335	45,935	13,335
	<u>86,701</u>	<u>86,468</u>	<u>79,977</u>	<u>91,969</u>	<u>166,678</u>	<u>178,437</u>
Total:						
Listed in						
Hong Kong	86,701	86,468	34,042	78,634	120,743	165,102
Unlisted	—	—	45,935	13,335	45,935	13,335
	<u>86,701</u>	<u>86,468</u>	<u>79,977</u>	<u>91,969</u>	<u>166,678</u>	<u>178,437</u>
Market value of						
listed securities	<u>44,020</u>	<u>52,480</u>	<u>34,042</u>	<u>78,634</u>	<u>78,062</u>	<u>131,114</u>
Carrying amount						
analysed for						
reporting purposes						
as:						
Current	—	—	79,042	91,034	79,042	91,034
Non-current	86,701	86,468	935	935	87,636	87,403
	<u>86,701</u>	<u>86,468</u>	<u>79,977</u>	<u>91,969</u>	<u>166,678</u>	<u>178,437</u>
THE COMPANY						
Current investments:						
Listed equity						
securities	<u>—</u>	<u>—</u>	<u>20,563</u>	<u>26,786</u>	<u>20,563</u>	<u>26,786</u>
Market value of						
listed securities	<u>—</u>	<u>—</u>	<u>20,563</u>	<u>26,786</u>	<u>20,563</u>	<u>26,786</u>

Notes to the Financial Statements

For the year ended 31st December, 2002

20. INVESTMENTS IN SECURITIES (Continued)

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

21. INVENTORIES

	2002 HK\$'000	2001 HK\$'000
Raw materials	20,675	12,675
Work in progress	305	29
Finished goods	374	2,139
	<u>21,354</u>	<u>14,843</u>

All inventories were carried at cost.

22. TRADE AND OTHER RECEIVABLES

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

	The Group 2002 HK\$'000	2001 HK\$'000
0 to 30 days	28,904	23,452
31 to 90 days	16,542	11,990
More than 90 days	6,479	19,468
	<u>51,925</u>	<u>54,910</u>
Total trade receivables	51,925	54,910
Receivables on disposal of an associate	100,000	–
Other receivables	54,185	60,778
	<u>206,110</u>	<u>115,688</u>

The receivables on disposal of an associate is secured by 29.5% shareholding in Poly.

Notes to the Financial Statements

For the year ended 31st December, 2002

23. AMOUNTS DUE FROM ASSOCIATES

The amounts are unsecured, interest-free and have no fixed term of repayment.

24. TRADE AND OTHER PAYABLES

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

	The Group	
	2002	2001
	HK\$'000	HK\$'000
0 to 30 days	7,004	26,043
31 to 90 days	753	1,685
More than 90 days	6,099	21,273
	<hr/>	<hr/>
Total trade payables	13,856	49,001
Other payables	182,017	192,982
	<hr/>	<hr/>
	195,873	241,983
	<hr/>	<hr/>

Notes to the Financial Statements

For the year ended 31st December, 2002

25. BANK BORROWINGS

	The Group		The Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans				
– secured	371,434	323,765	70,000	–
– unsecured	130,248	29,014	–	–
	<u>501,682</u>	<u>352,779</u>	<u>70,000</u>	<u>–</u>
The maturity of the above loans is as follows:				
On demand or within one year	355,662	162,042	28,500	–
More than one year, but not exceeding two years	34,320	149,436	19,500	–
More than two years, but not exceeding five years	66,460	41,301	22,000	–
More than five years	45,240	–	–	–
	<u>501,682</u>	<u>352,779</u>	<u>70,000</u>	<u>–</u>
Less: Amounts due within one year shown under current liabilities	355,662	162,042	28,500	–
	<u>146,020</u>	<u>190,737</u>	<u>41,500</u>	<u>–</u>

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

Notes to the Financial Statements

For the year ended 31st December, 2002

26. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary share of HK\$0.50 each		
Authorised:		
At 1st January, 2001, 31st December, 2001 and 31st December, 2002	<u>1,200,000,000</u>	<u>600,000</u>
Issued and fully paid:		
At 1st January, 2001	821,155,200	410,578
Shares repurchased and cancelled (<i>note i</i>)	<u>(10,372,000)</u>	<u>(5,186)</u>
At 31st December, 2001	810,783,200	405,392
Shares repurchased and cancelled (<i>note ii</i>)	<u>(3,261,000)</u>	<u>(1,631)</u>
At 31st December, 2002	<u>807,522,200</u>	<u>403,761</u>

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

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

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

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

Notes to the Financial Statements

For the year ended 31st December, 2002

26. SHARE CAPITAL (Continued)

- (ii) 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
		Highest HK\$	Lowest HK\$	HK\$'000
February 2002	144,000	0.800	0.750	113
July 2002	858,000	0.690	0.650	570
August 2002	411,000	0.680	0.600	263
September 2002	348,000	0.510	0.440	162
October 2002	1,500,000	0.445	0.440	660
	<u>3,261,000</u>			<u>1,768</u>

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

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, 2002.

27. SHARE OPTIONS

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

Notes to the Financial Statements

For the year ended 31st December, 2002

27. SHARE OPTIONS (Continued)

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

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

At 31st December, 2002, the outstanding number of shares in respect of which options had been granted under the CMIC Scheme was 74,340,000 (2001: 74,405,000), representing 9.2% (2001: 9.2%) of the shares of the Company in issue at that date.

The following table discloses the total entitlements of the Company's directors and employees under the CMIC's share options scheme:

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>

Notes to the Financial Statements

For the year ended 31st December, 2002

27. SHARE OPTIONS (Continued)

Year ended 31st December, 2001	Date of grant	Exercise price per share HK\$	Outstanding at 1.1.2001	Lapsed during the year	Reclassifi- cation	Outstanding at 31.12.2001
Category 1: Directors						
Wang Jun	3.9.1997	5.175	6,000,000	–	–	6,000,000
	5.6.1998	1.370	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: Former director						
Ji Jun (Note)	3.9.1997	5.175	3,600,000	–	(3,600,000)	–
	5.6.1998	1.370	2,000,000	–	(2,000,000)	–
	30.11.2000	0.740	3,000,000	–	(3,000,000)	–
			<u>8,600,000</u>	<u>–</u>	<u>(8,600,000)</u>	<u>–</u>
Category 3: Employees	3.9.1997	5.175	11,760,000	(960,000)	3,600,000	14,400,000
	5.6.1998	1.370	3,000,000	–	2,000,000	5,000,000
	30.11.2000	0.740	4,935,000	(730,000)	3,000,000	7,205,000
			<u>19,695,000</u>	<u>(1,690,000)</u>	<u>8,600,000</u>	<u>26,605,000</u>
Total all categories			<u>76,095,000</u>	<u>(1,690,000)</u>	<u>–</u>	<u>74,405,000</u>

Note: Mr. Ji Jun resigned as a director of the Company with effect from 31st May, 2001 but he remains as a director of certain subsidiaries of the Company.

No share options were granted or exercised during each of the two years ended 31st December, 2002.

Notes to the Financial Statements

For the year ended 31st December, 2002

28. RESERVES

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Accumu- lated profits HK\$'000	Total HK\$'000
THE COMPANY				
At 1st January, 2001	1,458,243	9,089	94,766	1,562,098
Shares repurchased and cancelled:				
– Premium on shares repurchased	–	–	(4,710)	(4,710)
– Transfer	–	5,186	(5,186)	–
Profit for the year	–	–	16,455	16,455
At 31st December, 2001 and 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	<u>1,458,243</u>	<u>15,906</u>	<u>114,165</u>	<u>1,588,314</u>

The Company's reserves available for distribution to shareholders as at 31st December, 2002 represents its accumulated profits of approximately HK\$114.2 million (2001: HK\$101.3 million).

29. OTHER BORROWINGS

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

30. AMOUNTS DUE TO SUBSIDIARIES

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

31. LOAN FROM A FELLOW SUBSIDIARY

The loan is unsecured, interest-free and repayable upon expiration of the joint venture term of PPL (Note 12). In the opinion of the directors, the joint venture term and the land use right can be extended upon expiration, the amount is therefore shown as non-current.

Notes to the Financial Statements

For the year ended 31st December, 2002

32. DEFERRED LICENCING INCOME

	The Group	
	2002	2001
	HK\$'000	HK\$'000
Unamortised deferred licensing income brought forward	89,720	104,673
Less: Licence income recognised during the year	(14,954)	(14,953)
Unamortised deferred licensing income carried forward	74,766	89,720

The licensing 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.

33. PURCHASE OF SUBSIDIARIES

	2002	2001
	HK\$'000	HK\$'000
Net assets acquired:		
Property, plant and equipment	–	321,811
Interest in an associate	188,605	–
Inventories	–	6,376
Trade and other receivables	–	95,815
Pledged bank deposits	–	2,741
Bank and cash balances	–	8,203
Trade and other payables	–	(97,362)
Taxation	–	(1,225)
Bank borrowings	–	(142,402)
Minority interests	–	(92,576)
Loans to jointly controlled entities	–	(39,425)
Net assets	188,605	61,956
Deemed capital contribution	(38,605)	–
Negative goodwill	–	(15,826)
	150,000	46,130
Satisfied by:		
Cash consideration paid	150,000	17,160
Share of net assets of jointly controlled entities	–	13,058
Short-term loans receivable	–	15,912
	150,000	46,130

Notes to the Financial Statements

For the year ended 31st December, 2002

33. PURCHASE OF SUBSIDIARIES (Continued)

	2002 HK\$'000	2001 HK\$'000
Analysis of net outflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Total cash consideration paid (including legal and professional charges)	150,000	17,160
Bank balances and cash acquired	—	(8,203)
Net outflow of cash and cash equivalents in connection with the purchase of subsidiaries	<u>150,000</u>	<u>8,957</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.

During the year ended 31st December, 2001, the subsidiaries acquired contributed approximately HK\$36.6 million to the Group's turnover and approximately HK\$6.5 million to the Group's profit from operations.

Notes to the Financial Statements

For the year ended 31st December, 2002

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

	2002 HK\$'000	2001 HK\$'000
Net assets deconsolidated:		
Property, plant and equipment	462	—
Intangible assets	7,582	—
Inventories	4,713	—
Trade and other receivables	6,684	—
Bank overdraft	(6,087)	—
Trade and other payables	(12,576)	—
Minority interests	(195)	—
	<hr/>	<hr/>
Net assets	583	—
Gain on dilution	4,552	—
	<hr/>	<hr/>
	5,135	—
	<hr/>	<hr/>
Satisfied by:		
Share of net assets of an associate	5,135	—
	<hr/>	<hr/>
Net inflow of cash and cash equivalents in connection with dilution of interest in a subsidiary to an associate:		
Bank overdraft disposed of	6,087	—
	<hr/>	<hr/>

During the year, the above company contributed HK\$436,000 (2001: HK\$14,469,000) to the Group's turnover and loss of HK\$1,639,000 (2001: HK\$1,628,000) to the Group's loss from operation.

35. MAJOR NON-CASH TRANSACTION

During the year ended 31st December, 2001, the Group capitalised a short-term loan of approximately HK\$15.9 million to a jointly controlled entity as investment cost in that entity.

Notes to the Financial Statements

For the year ended 31st December, 2002

36. UNRECOGNISED DEFERRED TAXATION

At 31st December, 2002, the Group other than its subsidiaries in the PRC had an unrecognised deferred tax asset of approximately HK\$7 million (2001: HK\$7.6 million) which represents the tax effect of timing differences arising as a result of tax losses available to set off against future assessable profits. The unprovided deferred tax charge for the year amounted to approximately HK\$0.6 million (2001: HK\$0.1 million).

In addition, at 31st December, 2002, the Group's PRC subsidiary had an unrecognised deferred tax asset of approximately HK\$27.8 million (2001: HK\$23.2 million), representing the maximum benefit from unutilised tax losses which can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits. The unprovided deferred tax credit for the year amounted to approximately HK\$4.6 million (2001: HK\$15.7 million).

These deferred tax assets have not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

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

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

37. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

	2002 HK\$'000	2001 HK\$'000
Operating lease rentals in respect of:		
– land and buildings	3,486	3,705
– satellite television channel	<u>6,240</u>	<u>3,484</u>

Notes to the Financial Statements

For the year ended 31st December, 2002

37. OPERATING LEASE ARRANGEMENTS (Continued)

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

	Satellite television channel		Office and factory premises	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	6,240	6,240	3,556	4,110
In the second to fifth year inclusive	24,960	24,960	11,266	14,579
Over five years	31,200	37,440	23,454	25,701
	<u>62,400</u>	<u>68,640</u>	<u>38,276</u>	<u>44,390</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\$57.3 million (2001: HK\$45.4 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:

	2002	2001
	HK\$'000	HK\$'000
Within one year	35,912	32,284
In the second to fifth year inclusive	27,209	29,491
Over five years	<u>16,655</u>	<u>1,033</u>
	<u>79,776</u>	<u>62,808</u>

Notes to the Financial Statements

For the year ended 31st December, 2002

38. CAPITAL COMMITMENTS

	2002 HK\$'000	2001 HK\$'000
THE GROUP		
Capital expenditure contracted for but not provided in the financial statements in respect of		
– acquisition of property, plant and equipment	6,890	35,268
– acquisition of interests in unlisted companies (Note (i) and (ii))	338,000	2,400
	<u>344,890</u>	<u>37,668</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	–
	<u>91,749</u>	<u>–</u>

Notes:

- (i) In August 2002, the Group entered into an agreement ("Agreement") to subscribe for 49% equity interest in Tong Sun Limited ("Tong Sun"), a company incorporated in West Samoa, for a consideration of HK\$160 million. Pursuant to the Agreement, a procurement fee of HK\$50 million also has to be paid to the existing shareholder of Tong Sun upon completion of the Agreement. Tong Sun holds 66% of the registered capital of a sino-foreign cooperative joint venture established in Beijing, the PRC which holds a land use right in the PRC. At the date of approval of these financial statements by the directors, the Agreement is not yet completed.
- (ii) In November 2002, the Group entered into agreements to acquire 49% of the registered capital of each of Peixian Mine-Site Environment Cogen-power Co., Ltd. ("Peixian Mine-Site") and Dongtai Suzhong Environment Protection Cogeneration Company Limited ("Dongtai Suzhong") for an aggregate consideration of HK\$128 million. These transactions constituted connected transactions of the Company under the Listing Rules and were completed in January 2003. Further details are set out in note 43(a).

Notes to the Financial Statements

For the year ended 31st December, 2002

39. CONTINGENT LIABILITIES

At 31st December, 2002, the Company had given guarantees of approximately HK\$194 million (2001: HK\$120 million) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

In addition, at 31st December, 2002, the Group had given a guarantee of approximately HK\$14.3 million (2001: 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.

40. 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	
	2002	2001
	HK\$'000	HK\$'000
Hotel properties	608,400	608,400
Investment properties	352,000	312,000
Motor vessels	306,738	341,280
Other plant and equipment	232,509	230,333
Land and buildings	182,592	44,812
Bank deposit	86,620	28,580
	<u>1,768,859</u>	<u>1,565,405</u>

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

41. RETIREMENT BENEFITS SCHEMES

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

Notes to the Financial Statements

For the year ended 31st December, 2002

41. RETIREMENT BENEFITS SCHEMES *(Continued)*

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 Mandatory Provident Fund Schemes Ordinance. The assets of the MPF scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

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

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.

Notes to the Financial Statements

For the year ended 31st December, 2002

42. 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 Rules Governing the Listing of Securities on the Stock Exchange. 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	
	2002	2001
	HK\$'000	HK\$'000
Transactions:		
Property rental income (note i)	26,401	22,160
Manager remuneration paid (note ii)	13,968	11,093
Property leasing commission and management fees paid (note iii)	2,334	884
Acquisition of a subsidiary (note iv)	150,000	—
	<u>2002</u>	<u>2001</u>
	HK\$'000	HK\$'000
Balances:		
Trade and other receivables (note v)	10,490	11,345
Trade and other payables (note vi)	30,231	29,683
Long term loan payable (note vi)	168,224	168,224

Notes:

- (i) Of this rental income, an amount of HK\$5,161,000 (2001: HK\$22,160,000) is related to tenancy agreement which were previously approved by independent shareholders of the Company, in extraordinary general meetings; and an amount of HK\$21,240,000 (2001: HK\$Nil) is related to tenancy agreements which were disclosed in the Company's press announcements in 2002.

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.

Notes to the Financial Statements

For the year ended 31st December, 2002

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

(I) Connected Persons (Continued)

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

Notes: (Continued)

- (ii) The manager remuneration was calculated as a percentage of the gross profit before tax of a subsidiary of the Company managed by China Poly Group.
- (iii) The property leasing commission and management fees were calculated with reference to the rental income of certain of the Group's properties managed by China Poly Group.
- (iv) On 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 31.

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

Notes to the Financial Statements

For the year ended 31st December, 2002

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

(I) Connected Persons (Continued)

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

Furthermore, on 31st December, 2002, the Group and China Poly Group entered into an agreement (the "2002 Supplemental Agreement") supplemental to the Management Agreement and the 2000 Supplemental Agreement (hereafter collectively "Agreements") between the same parties. Pursuant to the 2002 Supplemental Agreement, the profit guarantee for the operation of Poly Plaza provided by China Poly Group under the Agreements will be suspended for the year ending 31st December, 2003, but will 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.

(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, 2002 amounted to approximately HK\$33 million (2001: HK\$40.5 million). During the year ended 31st December, 2001, all the shareholders of Tianjin Winson agreed to waive their interest receivable from Tianjin Winson. The amount waived by the Group was approximately HK\$43.1 million. China Poly Group also has a 20% indirect beneficial interest in Tianjin Winson other than that held by the Group.

Notes to the Financial Statements

For the year ended 31st December, 2002

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

(I) Connected Persons (Continued)

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

Connected persons	Nature of transactions/ balances	The Group	
		2002 HK\$'000	2001 HK\$'000
(a) Shengzhou City and its affiliates (note i)	Non-trade receivables by the Group (note iii)	9,943	–
(b) Suzhou Power and its affiliates (note ii)	Payables by the Group (note iv)	<u>(40,497)</u>	<u>(22,884)</u>

Notes:

- (i) Shengzhou City Thermal Power Corporation ("Shengzhou City") is a 48% shareholder of Shengzhou Xinzhonggang Thermal Power Co., Ltd. ("Shengzhou Xinzhonggang"), one of the Company's 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 is unsecured, interest bearing at 5.31% per annum and repayable on demand. 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.

(II) Related Parties, Other Than Connected Persons

Related parties	Nature of transactions	The Group	
		2002 HK\$'000	2001 HK\$'000
Former associate	Management fees received (note i)	7,500	12,000
Jointly controlled entities	Interest income received (note ii)	–	2,912

Notes to the Financial Statements

For the year ended 31st December, 2002

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

(II) Related Parties, Other Than Connected Persons (Continued)

Notes:

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

43. POST BALANCE SHEET EVENTS

The following events occurred subsequent to the balance sheet date:

- (a) On November 29, 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 share capital of Peixian Mine-Site Environment Cogen-power Co., Ltd ("Peixian Power") for a consideration of HK\$77.4 million. Peixian Power is a sino-foreign equity joint venture established in the PRC engaging in operation of power plant.

Also on November 29, 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 share capital of Dongtai Suzhong Environment Protection Cogeneration Company Limited ("Dongtai Suzhong") for a consideration of HK\$50.6 million. Dongtai Suzhong is a sino-foreign joint venture established in the PRC engaging in the operation of power plant.

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

Notes to the Financial Statements

For the year ended 31st December, 2002

43. POST BALANCE SHEET EVENTS *(Continued)*

Mr. Zhu is a substantial shareholder of the vendors of Peixian Agreement and Dongtai Agreement, holding 98% of the registered capital of Suzhou Power and 80% of the registered capital of GCP and GCD through his 80% shareholdings in GCH, whilst Mr. Zhu is also a director and an ultimate substantial shareholder of Taicang Xinhaikang, a 51% owned subsidiary of the Company. Mr. Zhu and his associates including GCH, GCP, GCD and Suzhou Power are therefore connected persons of the Company and accordingly, the aforesaid transactions and guarantees are deemed to be connected transactions for the Company which require approval from the shareholders of the Company.

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

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

- (b) On 12th February, 2003, PPL, a 75% owned subsidiary of the Company, entered into agreements with China Poly in respect of the renewal of certain leases and adjustment of rental in Poly Plaza for the year ending 31st December, 2003.

Notes to the Financial Statements

For the year ended 31st December, 2002

44. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are wholly-owned and held indirectly by the Company except otherwise indicated, at 31st December, 2002 are as follows:

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

Notes to the Financial Statements

For the year ended 31st December, 2002

44. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued and fully paid share capital/ registered capital	Principal activity
Honorlink Investments Limited	Hong Kong	HK\$2	Property investment
Johnsbury Limited	British Virgin Islands	US\$9,600,000	Investment holding
Overseas Mariner Investment Company Limited [#]	Bermuda	US\$12,000	Investment holding
Poly Plaza Limited ("PPL")*	PRC	US\$10,000,000	Investment, management and operation of a hotel complex
Polystar Digidisc Co., Ltd. ** ("Polystar")	PRC	RMB9,000,000	Manufacturing and wholesaling of compact discs, video compact discs and digital video discs
Prime Brilliant Limited	Hong Kong	HK\$2	Property investment
Propwood Limited	Hong Kong	HK\$2	Property investment
Regal Step Investments Limited	Hong Kong	HK\$2	Property investment
Richwood Corporation	Liberia	US\$10,000	Ship owning
Saneble Limited	Hong Kong	HK\$2	Property investment
Shengzhou Xinzhonggang Thermal Power Co., Ltd. ("Shengzhou")***	PRC	RMB123,000,000	Provision of electricity and gas
Silver Point Assets Limited [#]	British Virgin Islands	US\$1	Investment holding

Notes to the Financial Statements

For the year ended 31st December, 2002

44. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued and fully paid share capital/ registered capital	Principal activity
Silver Spirit Enterprises Limited	British Virgin Islands	US\$1	Investment holding
Taicang Xinhaikang ****	PRC	RMB84,150,000	Provision of electricity and gas
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

[#] 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 PRC for a term of 17 years commencing 9th July, 1986 (see note 12 for details in connection with the arrangement to extend the joint venture term).

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

^{***} Shengzhou is 52% indirectly held by the Company and is a sino-foreign joint venture company established in PRC for a term of 35 years commencing 17th October, 1997.

^{****} Taicang Xinhaikang is 51% indirectly held by the Company and is a sino-foreign joint venture company established in 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 or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

Notes to the Financial Statements

For the year ended 31st December, 2002

45. BUSINESS AND GEOGRAPHICAL SEGMENTS

For the year ended 31st December, 2002

	Supply of electricity and gas HK\$'000	Property investment and manage- ment HK\$'000	Financial services HK\$'000	Hotel and restaurant operations HK\$'000	Manu- facturing and media HK\$'000	Shipping HK\$'000	Elimina- tions HK\$'000	Total HK\$'000
By principal activity								
REVENUE								
External revenue	147,840	80,232	62,610	55,717	47,972	46,680	–	441,051
Inter-segment revenue*	–	6,310	53,738	–	4,914	–	(64,962)	–
Total revenue	<u>147,840</u>	<u>86,542</u>	<u>116,348</u>	<u>55,717</u>	<u>52,886</u>	<u>46,680</u>	<u>(64,962)</u>	<u>441,051</u>
CONTRIBUTION TO PROFIT (LOSS) FROM OPERATIONS	<u>22,941</u>	<u>(12,249)</u>	<u>(37,905)</u>	<u>12,085</u>	<u>13,670</u>	<u>1,938</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
Amortization of goodwill arising on acquisition of an associate	–	–	–	–	(12,255)	–		(12,255)
Share of profits (losses) of associates	–	2,132	1,470	–	(2,896)	–		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.

Notes to the Financial Statements

For the year ended 31st December, 2002

45. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

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

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

Notes to the Financial Statements

For the year ended 31st December, 2002

45. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31st December, 2002

45. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

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

	Supply of electricity and gas HK\$'000	Property investment and manage- ment HK\$'000	Financial services HK\$'000	Hotel and restaurant operations HK\$'000	Manu- facturing and media HK\$'000	Shipping HK\$'000	Elimina- tions HK\$'000	Total HK\$'000
By principal activity								
REVENUE								
External revenue	36,619	75,736	48,737	51,689	58,510	70,685	–	341,976
Inter-segment revenue*	–	6,110	36,312	–	–	–	(42,422)	–
Total revenue	<u>36,619</u>	<u>81,846</u>	<u>85,049</u>	<u>51,689</u>	<u>58,510</u>	<u>70,685</u>	<u>(42,422)</u>	<u>341,976</u>
CONTRIBUTION TO PROFIT (LOSS) FROM OPERATIONS	<u>6,472</u>	<u>35,292</u>	<u>17,509</u>	<u>7,999</u>	<u>(893)</u>	<u>(16,026)</u>	<u>–</u>	<u>50,353</u>
Central administrative expenses								<u>(15,184)</u>
Profit from operations								35,169
Finance costs								(18,123)
Share of losses of associates	–	–	(1,278)	–	(10,417)	–		(11,695)
Share of losses of jointly controlled entities	2,984	(9,183)	–	–	–	–		<u>(6,199)</u>
Loss before taxation								(848)
Taxation								<u>(1,919)</u>
Loss before minority interests								<u>(2,767)</u>

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

Notes to the Financial Statements

For the year ended 31st December, 2002

45. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

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

	Supply of electricity and gas HK\$'000	Property investment and manage- ment HK\$'000	Financial services HK\$'000	Hotel and restaurant operations HK\$'000	Manu- facturing and media HK\$'000	Shipping HK\$'000	Total HK\$'000
ASSETS AND LIABILITIES AT 31ST DECEMBER, 2001							
ASSETS							
Segment assets	411,254	945,303	426,976	669,149	114,578	365,272	2,932,532
Interest in associates	–	–	71,418	–	303,052	–	374,470
Interest in jointly controlled entities	–	47,654	–	–	–	–	47,654
	<u>411,254</u>	<u>992,957</u>	<u>498,394</u>	<u>669,149</u>	<u>417,630</u>	<u>365,272</u>	<u>3,354,656</u>
LIABILITIES							
Segment liabilities	(106,832)	(71,600)	(2,841)	(87,179)	(58,060)	(8,665)	(335,177)
Unallocated corporate liabilities							<u>(553,844)</u>
							<u>(889,021)</u>
OTHER INFORMATION							
Capital expenditure	365,124	1,479	–	2,174	20,698	–	389,475
Depreciation and amortisation	4,237	8,806	–	10,257	9,847	23,644	56,791
Unrealised holding loss on other investments	–	–	3,461	–	–	–	3,461
Impairment losses recognised in income statement	–	–	–	–	–	29,591	<u>29,591</u>

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

	Hong Kong HK\$'000	The PRC other than Hong Kong HK\$'000	Other parts of the world HK\$'000	Total HK\$'000
REVENUE	<u>67,540</u>	<u>203,402</u>	<u>71,034</u>	<u>341,976</u>

Notes to the Financial Statements

For the year ended 31st December, 2002

45. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

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

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

	Hong Kong HK\$'000	The PRC other than Hong Kong HK\$'000	Other parts of the world HK\$'000	Total HK\$'000
ASSETS				
Carrying amount of segment assets	<u>497,941</u>	<u>2,069,319</u>	<u>365,272</u>	<u>2,932,532</u>
Capital expenditure	<u>364</u>	<u>389,111</u>	<u>–</u>	<u>389,475</u>