



## Directors' Report

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

### CHANGE OF NAME

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

### PRINCIPAL ACTIVITIES

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

### RESULTS AND APPROPRIATIONS

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

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

### SHARE CAPITAL

During the year, the Company repurchased certain of its own shares through The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and these shares were subsequently cancelled by the Company, details of which are set out in note 30 to the financial statements. The directors considered that, as the Company's shares were trading at a discount to the net asset value per share, the repurchases would increase the net asset value per share of the Company.

Details of movements in the share capital of the Company are set out in note 30 to the financial statements.

### INVESTMENT PROPERTIES AND HOTEL PROPERTIES

At 31st December, 2004, the investment properties and hotel properties of the Group were revalued by an independent firm of professional property valuers on an open market value basis at HK\$720,964,000 and HK\$647,400,000 respectively. The surplus arising on revaluation of investment properties of HK\$23,752,000 has been credited to the consolidated income statement. The surplus arising on revaluation of hotel properties amounted to HK\$8,828,000, of which HK\$4,148,000 and HK\$3,510,000 (net of minority interests of HK\$1,170,000) have been credited to the consolidated income statement and the hotel properties revaluation reserve respectively.

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

## PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 17 to the financial statements.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

### Executive directors:

Wang Jun (*Chairman*)

He Ping (*Vice-Chairman*)

Li Shi Liang (*Managing Director*)

Chan Tak Chi, William

Chen Hong Sheng

(appointed on 13th January, 2004)

Xie Da Tong

(resigned on 13th January, 2004)

### Non-executive director:

Ip Chun Chung, Robert

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

### Independent non-executive directors:

Yao Kang, J.P.

Choy Shu Kwan, Wilson

(appointed on 14th July, 2004)

Lam Tak Shing

Ip Chun Chung, Robert

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

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

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

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

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

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

## Directors' Report

### DIRECTORS' INTERESTS IN SECURITIES

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

#### Long positions

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

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

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

### SHARE OPTIONS

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

### DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

## SUBSTANTIAL SHAREHOLDERS

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

### Long positions

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

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

#### Notes:

- Source Holdings Limited is deemed by the SFO to be interested in 328,485,560 shares of the Company as a result of its direct holding of the shares and indirect holding of the shares through its wholly-owned subsidiaries, Musical Insight Holdings Limited and Wincall Holding Limited.
- Ting Shing Holdings Limited is deemed by the SFO to be interested in 498,330,560 shares as a result of its indirect holding of the shares through its subsidiaries, Source Holdings Limited and Congratulations Company Ltd.
- Ringo Trading Limited is deemed by the SFO to be interested in 539,905,036 shares as a result of its direct holding of the shares and indirect holding of the shares through its wholly-owned subsidiary, Ting Shing Holdings Limited.
- China Poly Group Corporation owns 100% of Ringo Trading Limited and is accordingly deemed by the SFO to be interested in the shares directly and indirectly owned by Ringo Trading Limited.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st December, 2004.

### CONNECTED TRANSACTIONS

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

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

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

### DIRECTORS' INTERESTS IN CONTRACTS

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

### MAJOR CUSTOMERS AND SUPPLIERS

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

### CORPORATE GOVERNANCE

In the opinion of the directors, the Company has complied throughout the year ended 31st December, 2004 with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

### SUFFICIENCY OF PUBLIC FLOAT

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

## POST BALANCE SHEET EVENTS

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

## AUDITORS

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

On behalf of the Board

**LI Shi Liang**

*Managing Director*

Hong Kong, 19th April, 2005