

1. GENERAL

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

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

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

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, hotel properties and investments in securities and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries, associates and jointly controlled entities acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

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

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

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

Negative goodwill

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

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

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

Investments in subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interest in associates are stated at the Group's share of the net assets of the associates plus the goodwill less negative goodwill in so far as it has not already been written off or amortised, less any identified impairment loss.

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

Interest in jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

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

Investment in a property development project

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

Investments in securities

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

Investment securities, which are securities held for an identified long term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Revenue recognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Service revenue is recognised when services are provided.

Sales of investments in securities are recognised on a trade date basis.

Revenue from hotel operations and related services is recognised when the relevant services are provided.

Rental income, including rental invoiced in advance, from properties let under operating leases is recognised on a straight line basis over the period of the respective leases.

Licence fees for the exclusive right of managing certain of the Group's assets are recognised on a straight line basis over the period of the respective licence agreement.

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

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

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

Investment properties

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Hotel properties

Hotel properties are interests in land and buildings and their integral fixed plant, and are stated at independent professional valuation at the balance sheet date. Changes in the value of hotel properties are dealt with as movements on the hotel properties revaluation reserve. Any surplus arising on revaluation of hotel properties is credited to the hotel properties revaluation reserve, except to the extent that it reverses a decrease in revaluation of the same hotel property previously recognised as an expense, when it is recognised as income. A decrease in net carrying amount arising on revaluation of hotel properties is charged to the income statement to the extent that it exceeds the balance, if any, on the hotel properties revaluation reserve relating to a previous revaluation of that hotel property.

The gain or loss arising from the disposal or retirement of a revalued hotel property is determined as the difference between the sale proceeds and the carrying amount of the hotel property and is recognised in the income statement.

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

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation and amortisation and accumulated impairment losses.

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

Construction in progress is stated at cost which includes all development expenditure and other direct costs attributable to such projects. It is not depreciated or amortised until completion of construction. Costs of completed construction works are transferred to the appropriate categories of property, plant and equipment.

Depreciation of motor vessels is calculated at a rate sufficient to write off their cost less estimated scrap value over their remaining estimated useful lives on a straight line basis of 25 years from the date of their first registration.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)***Property, plant and equipment** *(Continued)*

Depreciation is provided to write off the cost or valuation of other assets over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Buildings	2% - 18%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Plant and machinery	6% - 23%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment

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

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

Stores

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

Properties held for resale

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

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

Retirement benefits scheme contributions

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

Taxation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

Foreign currencies

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

On consolidation, the assets and liabilities of the Group's operations outside Hong Kong are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

Notes to the Financial Statements For the year ended 31st December, 2004

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:

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

5. PROFIT FROM OPERATIONS

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

6. DIRECTORS' EMOLUMENTS

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

The emoluments of the directors were within the following bands:

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

7. EMPLOYEES' EMOLUMENTS

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

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

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

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

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

8. FINANCE COSTS

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

9. GAIN ON DISPOSAL OF SUBSIDIARIES

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

10. LOSS ON DISPOSAL OF AN ASSOCIATE

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

11. GAIN ON DISPOSAL OF DISCONTINUING OPERATIONS

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

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

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

12. TAXATION

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

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

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

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

12. TAXATION *(Continued)*

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

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

13. DIVIDENDS

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

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

14. EARNINGS PER SHARE

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

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

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

15. INVESTMENT PROPERTIES

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

The investment properties of the Group were revalued at 31st December, 2004 on an open market value existing use basis by AA Property Services Limited, an independent firm of professional property valuers. The surplus arising on revaluation has been credited to the consolidated income statement.

15. INVESTMENT PROPERTIES *(Continued)*

The carrying value of investment properties comprises:

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

16. HOTEL PROPERTIES

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

The hotel properties of the Group were revalued at 31st December, 2004 on an open market value existing use basis by AA Property Services Limited, an independent firm of professional property valuers. The surplus arising on revaluation of hotel properties amounted to HK\$8,828,000, of which HK\$4,148,000 and HK\$3,510,000 (net of minority interests of HK\$1,170,000) have been credited to the consolidated income statement and the hotel properties revaluation reserve respectively.

If the Group's hotel properties had not been revalued, they would have been included on a historical cost basis at carrying value of approximately HK\$642.7 million (2003: HK\$651.5 million).

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

Notes to the Financial Statements For the year ended 31st December, 2004

17. PROPERTY, PLANT AND EQUIPMENT

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

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

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

Certain land and buildings of the Group were valued at 31st March, 1995, 31st March, 1997 and 31st December, 2004 by independent firm of professional property valuers, on an open market value basis before being transferred from investment properties and hotel properties. No further valuation has been carried out on these properties.

If land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation and amortisation at approximately HK\$213,767,000 (2003: HK\$220,945,000).

All motor vessels are held for use under operating leases.

18. GOODWILL

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

The amortisation period adopted for goodwill is 20 years.

19. INTEREST IN SUBSIDIARIES

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

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

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. Except for an amount of HK\$14,872,000 (2003: HK\$14,146,000) at 31st December, 2004 which bears interest at commercial rates, the remaining balances are non-interest bearing. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown as non-current.

20. INTEREST IN ASSOCIATES

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

20. INTEREST IN ASSOCIATES *(Continued)*

Notes:

(a) Goodwill arising on acquisition of associates

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

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

(b) Negative goodwill

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

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

20. INTEREST IN ASSOCIATES (Continued)

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

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

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

20. INTEREST IN ASSOCIATES *(Continued)*

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

Results for the year:

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

Financial position:

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

21. INTEREST IN JOINTLY CONTROLLED ENTITIES

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

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

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

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

22. INVESTMENT IN A PROPERTY DEVELOPMENT PROJECT

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Investment cost	210,000	197,271

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

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

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

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

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

23. INVESTMENTS IN SECURITIES

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

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

24. DEPOSIT PAID FOR A HOTEL PROJECT

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

25. DEPOSITS PAID ON ACQUISITION OF SUBSIDIARIES AND ASSOCIATES

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

26. INVENTORIES

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

All inventories were carried at cost.

27. TRADE AND OTHER RECEIVABLES

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

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

28. TRADE AND OTHER PAYABLES

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

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

29. BANK BORROWINGS

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

30. SHARE CAPITAL

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

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

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

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

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

30. SHARE CAPITAL *(Continued)*

- (iii) The Company repurchased certain of its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
March 2004	588,000	1.50	1.50	882
April 2004	8,773,000	1.52	1.45	12,863
May 2004	5,503,000	1.49	1.25	7,906
	<hr/> 14,864,000			<hr/> 21,651

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

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

31. SHARE OPTION SCHEMES

(a) Poly HK Old Scheme

A share option scheme of the Company (the "Poly HK Old Scheme") was adopted on 16th June, 1993 for the primary purpose of providing incentives to directors and eligible employees and terminated on 28th May, 2003. Under the Poly HK Old Scheme, the Company could grant options to the directors and the employees of the Company or its subsidiaries to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted. Options proposed to be granted had to be accepted within 30 days from the date of offer. The granted options are exercisable during the period commencing on the date one year after the date of grant and expiring on the date ten years after the date of grant. The maximum number of shares in respect of which options could be granted shall not exceed 10% of the issued share capital of the Company from time to time excluding the aggregate number of shares already allotted and issued pursuant to the Poly HK Old Scheme.

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

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

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

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

Notes to the Financial Statements For the year ended 31st December, 2004

31. SHARE OPTION SCHEMES *(Continued)*

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

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

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

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

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

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

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

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

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

31. SHARE OPTION SCHEMES *(Continued)*

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

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

(b) Poly HK New Scheme

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

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

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

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

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

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

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

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

32. RESERVES

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

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

33. OTHER BORROWINGS

The Group and the Company

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

34. AMOUNTS DUE TO SUBSIDIARIES

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

35. LOAN FROM A FELLOW SUBSIDIARY

The Group

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

36. LOANS FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

The Group

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

37. DEFERRED LICENCING INCOME

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

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

38. PURCHASE OF SUBSIDIARIES

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

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

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

39. DISPOSAL OF SUBSIDIARIES

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

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

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

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

40. UNRECOGNISED DEFERRED TAXATION

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

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

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

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

41. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

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

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

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

Leases are negotiated for a term of fifteen years.

41. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessor:

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

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

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

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

42. CAPITAL COMMITMENTS

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

43. CONTINGENT LIABILITIES

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

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

44. PLEDGE OF ASSETS

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

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

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

45. RETIREMENT BENEFITS SCHEMES

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

To comply with the Mandatory Provident Fund Schemes Ordinance (the "MPFO"), the Group also participates in a Mandatory Provident Fund scheme ("MPF Scheme") for its qualified employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the MPFO. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

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

The employees in the subsidiaries in the PRC are members of state-managed retirement benefits schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

At the balance sheet date, there was no significant forfeited contributions, which arose upon employees leaving the retirement benefits scheme, available to reduce the contribution payable in the future years.

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

46. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

Notes:

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

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

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

(I) Connected Persons *(Continued)*

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

Notes: (Continued)

- (ii) The manager remuneration was calculated as a percentage of the gross profit before tax of a subsidiary of the Company managed by China Poly Group.
- (iii) The property leasing commission and management fees were calculated with reference to the rental income of certain of the Group's properties managed by China Poly Group.
- (iv) On 11th August, 2004, the Group entered into a conditional agreement with China Poly Group to acquire the remaining 60% equity interest in Shanghai Puly at a consideration of RMB258,000,000 (equivalent to approximately HK\$242,254,000).

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

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

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

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

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

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

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

(B) Proportional financing to a jointly controlled entity

Since May 1997, the Group has given a guarantee of approximately HK\$14.3 million to a bank in respect of credit facilities granted to prospective purchasers of properties developed by a jointly controlled entity of the Group, Tianjin Winson, in proportion to the Group's equity interest in Tianjin Winson. The Group has also made unsecured, interest-free advances to Tianjin Winson in proportion to its equity interest in Tianjin Winson. The balance of advances (before provision) at 31st December, 2004 amounted to approximately HK\$16 million (2003: HK\$17 million).

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

(I) Connected Persons *(Continued)*

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

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

Notes:

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

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

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

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

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

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

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

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

46. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)***(II) Related party, other than Connected Persons**

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

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

47. POST BALANCE SHEET EVENTS

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

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

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

48. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are wholly-owned and held indirectly by the Company except otherwise indicated, at 31st December, 2004 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued and fully paid share capital/ registered capital	Principal activity
Bassington Investments Limited	Hong Kong	HK\$2	Property investment
Bontec Developments Ltd.	British Virgin Islands	US\$2	Investment holding
California Hero Property Limited	British Virgin Islands	US\$1	Investment holding
CMIC Finance Limited #	Hong Kong	HK\$2	Financial services

Notes to the Financial Statements For the year ended 31st December, 2004

48. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued and fully paid share capital/ registered capital	Principal activity
CMIC Management Services Limited #	Hong Kong	HK\$100	Management services
CMIC-NCHK Energy Holdings Limited	British Virgin Islands	US\$100	Investment holding
CMIC Trading Limited #	Hong Kong	HK\$2	General trading
Elite Land Investment Limited	British Virgin Islands	US\$1	Investment holding
Fainland Limited	Hong Kong	HK\$2	Property investment
First Great Investments Limited	Hong Kong	HK\$2	Investment holding
Geldy Limited	Hong Kong	HK\$10,000	Property holding
Gold Star Enterprises S.A.	Liberia	US\$10,000	Ship owning
Grandful International Limited	Hong Kong	HK\$2	Investment holding
Green Island Developments Limited	British Virgin Islands	US\$1	Investment holding
Guangzhou Cheng Jian Tian Yu Real Estate Development Company Limited ("CJTY") ****	PRC	US\$22,500,000	Property development
High Praise Developments Limited	British Virgin Islands	US\$1	Investment holding
High Wealth International Limited	Hong Kong	HK\$2	Property investment
Honorlink Investments Limited	Hong Kong	HK\$2	Property investment

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued and fully paid share capital/ registered capital	Principal activity
Johnsbury Limited #	British Virgin Islands	US\$9,600,000	Investment holding
Master Chief Holdings Limited	British Virgin Islands	US\$1	Investment holding
Overseas Mariner Investment Company Limited #	Bermuda	US\$12,000	Investment holding
PPL *	PRC	US\$10,000,000	Investment, management and operation of a hotel complex
Polystar Digidisc Co., Ltd. ("Polystar") **	PRC	RMB9,000,000	Manufacturing and wholesaling of compact discs, video compact discs and digital video discs
Prime Brilliant Limited	Hong Kong	HK\$2	Property investment
Prime Harvest Investment Limited	British Virgin Islands	US\$1	Investment holding
Propwood Limited	Hong Kong	HK\$2	Property investment
Red Empire Limited	British Virgin Islands	US\$1	Investment holding
Regal Step Investments Limited	Hong Kong	HK\$2	Property investment
Saneble Limited	Hong Kong	HK\$2	Property investment
Sky Fortune Development Overseas Corp.	British Virgin Islands	US\$1	Investment holding

48. PRINCIPAL SUBSIDIARIES (Continued)

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

These subsidiaries are directly held by the Company.

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

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

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

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

48. PRINCIPAL SUBSIDIARIES *(Continued)*

The above table only lists those subsidiaries of the Company which, in the opinion of the directors, principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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

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

49. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

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

Segment information about these business is presented below:

For the year ended 31st December, 2004

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

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

49. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*
Business segments *(Continued)*
For the year ended 31st December, 2004 *(Continued)*

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

Notes to the Financial Statements For the year ended 31st December, 2004

49. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

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

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

	Hong Kong HK\$'000	The PRC other than Hong Kong HK\$'000	Other parts of the world HK\$'000	Total HK\$'000
REVENUE	25,417	392,192	149,581	567,190

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

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

	Hong Kong K\$'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	762,818	2,593,796	136,551	3,493,165
Capital expenditure	55	199,260	–	199,315

49. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

For the year ended 31st December, 2003

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

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

Notes to the Financial Statements For the year ended 31st December, 2004

49. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

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

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

49. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)***Business segments** *(Continued)***For the year ended 31st December, 2003** *(Continued)*

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

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

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

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