

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

1. GENERAL

The Company is incorporated in Bermuda as an exempt company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Asia Pacific Promotion Limited, a private limited company incorporated in the British Virgin Islands (the "BVI").

The principal activities of the Group are property development, supply of electricity and wholesaling and retailing of liquefied petroleum gas ("LPG").

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities.

The financial statements have been prepared 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 31 December each year.

The results of subsidiaries 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 intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Goodwill arising on consolidation, which represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the net assets at the date of acquisition of a subsidiary is written off to reserves immediately on acquisition or, where appropriate, capitalised and amortised on a straight line basis over its useful economic life, not exceeding twenty years. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration, is credited to reserves.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Recognition of revenue

Development properties

Income from properties developed for sale, where there are no pre-sales prior to completion of development, is recognised on the execution of the sale and purchase agreement.

Income from properties pre-sold prior to completion of development is recognised over the period from the execution of the sale and purchase agreement to the completion of development on the basis of development costs to date as a proportion of estimated total development costs.

Income from outright sales of an entire property development project is recognised upon the execution of the sale and purchase agreement.

Sales of electricity supply

Revenue from electricity supply operations is recognised when electricity is supplied.

Sales of goods

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

Income from decoration, interior design and related services

Income from decoration, interior design and related services is recognised using the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Income from property management service

Income from property management service is recognised on provision of services.

Interest income

Interest income is accrued on a time proportion basis on the principal outstanding and at the rate applicable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Stock of properties

Stock of properties includes properties under development and properties held for sale.

The carrying value of properties under development comprises the land cost together with development expenditure, which includes construction costs, capitalised interest and ancillary borrowing costs, plus attributable profits taken to date, less progress payments received and foreseeable losses. Attributable profit on pre-sale of properties under development is recognised over the course of the development. Profit recognised on pre-sale of properties during an accounting period is calculated by reference to the proportion of construction costs incurred up to the accounting date to total estimated construction costs to completion, with due allowance for contingencies.

Properties held for sale are classified under current assets and stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development cost attributable to the unsold properties. Net realisable value is the estimated price at which a property can be realised in the ordinary course of business less related selling expenses.

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share or registered capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less provision, if necessary, for any permanent diminution in value.

Interests in associates

An associate is an enterprise, over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment securities

Investment 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.

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

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

It is the Group's policy to determine the carrying amount of the assets on the historical cost basis. However, for the purpose of obtaining a listing of the Company's shares on the Stock Exchange and in order to comply with the Rules Governing the Listing of Securities on the Stock Exchange, the land and buildings then held by the Group were revalued at 31 March 1998 and are stated in the financial statements at such valuation.

The surplus that arose on revaluation of land and buildings was credited to the revaluation reserve. Any further decrease in net carrying amount arising on revaluation of an asset will be charged to the income statement to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives on a straight line basis, after taking into consideration their estimated residual values. The principal annual rates used are as follows:

Leasehold land	Over the unexpired term of lease or over the term of equity joint venture contract, whichever is shorter
Buildings	5 per cent. to 10 per cent.
Plant and machinery	10 per cent. to 30 per cent.
Furniture, fixtures and equipment	20 per cent. to 40 per cent.
Motor vehicles	10 per cent. to 30 per cent.

Construction in progress

Construction in progress, which includes all development expenditure and other direct costs, including interest expenses attributable to such projects, is stated at cost. Costs on completed construction works are transferred to property, plant and equipment.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on the translation of foreign currency borrowings used to finance net investments in overseas operations/subsidiaries are taken directly to reserves. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation the financial statements of subsidiaries/associates which are denominated in currencies other the Hong Kong dollar and which operate in the People's Republic of China ("PRC") and overseas are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Decoration work in progress comprises direct material and labour cost plus attributable profits taken to date less deposits received and provision for any foreseeable losses.

Convertible note

Convertible note is regarded as a liability until conversion occurs and the finance costs are calculated on the assumption that the notes will never be converted.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rental receivable or payable in respect of operating leases are credited or charged respectively to the income statement on a straight line basis over the terms of the respective leases.

Retirement benefits scheme

The pension costs charged in the income statement represent the contributions payable in respect of the current year to the Group's defined contribution scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

3. TURNOVER AND CONTRIBUTION TO PROFIT FROM OPERATIONS

An analysis of the Group's turnover and contribution to profit from operations during the year is as follows:

	TURNOVER		CONTRIBUTION TO PROFIT FROM OPERATIONS	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Sales of completed properties/ development properties	349,580	180,159	84,649	84,428
Revenue from electricity supply operations	80,837	139,584	(7,318)	24,762
Revenue from LPG business	1,059,729	412,708	48,677	10,780
Others (Note)	28,684	11,970	19,404	9,432
	<u>1,518,830</u>	<u>744,421</u>	<u>145,412</u>	<u>129,402</u>
Operating expenses less other income			<u>(105,844)</u>	<u>(69,477)</u>
Profit from operations			<u>39,568</u>	<u>59,925</u>

Note: Others include income from decoration, interior design work and property management services.

The Group's turnover and profit from operations are substantially derived from the PRC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

4. OTHER REVENUE

	2000 HK\$'000	1999 HK\$'000
Interest on bank deposits	27,455	31,678
Rental income under operating leases	1,358	1,907
Dividend income	108	—
Deposits forfeited	734	—
Sundry	2,473	—
	<u>32,128</u>	<u>33,585</u>

5. PROFIT FROM OPERATIONS

	2000 HK\$'000	1999 HK\$'000
Profit from operations is arrived at after charging:		
Auditors' remuneration	1,269	1,168
Depreciation	37,246	35,236
Net exchange loss	1,230	554
Operating lease rentals	4,116	3,071
Loss on disposal of property, plant and equipment	1,058	4,373
Staff costs including directors' remuneration	<u>50,830</u>	<u>24,416</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

6. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

Details of the emoluments paid by the Group to the directors are as follows:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Fees	150	300
Salaries and other emoluments	6,483	5,521
Contributions to retirement benefits scheme	165	116
Discretionary bonuses	500	2,100
Compensation for loss of office	—	—
Inducement for joining the Group	—	—
Waiver of emoluments paid	—	—
	<u>7,298</u>	<u>8,037</u>

The amounts disclosed above include directors' fees of HK\$150,000 (1999: HK\$300,000) and no other emoluments (1999: HK\$Nil) payable to independent non-executive directors.

The emoluments of the directors were within the following bands:

Emolument band	Number of individuals	
	2000	1999
\$Nil — \$1,000,000	4	4
\$1,000,001 — \$1,500,000	2	—
\$1,500,001 — \$2,000,000	—	1
\$2,000,001 — \$2,500,000	—	1
\$3,500,001 — \$4,000,000	1	—
\$4,000,001 — \$4,500,000	—	1
	<u>—</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

6. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

Of the five individuals with the highest emoluments in the Group, four (1999: three) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining one (1999: two) individuals were as follows:

	2000 HK\$'000	1999 HK\$'000
Salaries and allowances	786	945
Contributions to retirement benefits scheme	22	51
Discretionary bonuses	—	—
Compensation for loss of office	—	—
Inducement for joining the Group	—	—
Waiver of emoluments paid	—	—
	<u>808</u>	<u>996</u>

Their emoluments were within the following bands:

Emolument band	Number of individuals	
	2000	1999
\$Nil — \$1,000,000	<u>1</u>	<u>2</u>

7. FINANCE COSTS

	2000 HK\$'000	1999 HK\$'000
Interest expenses on bank and other loans wholly repayable within 5 years	16,583	25,620
Less: Amount capitalised to properties under development for sale	<u>(12,799)</u>	<u>(14,905)</u>
	3,784	10,715
Bank charges	241	—
Exchange loss	<u>1,301</u>	—
	<u>5,326</u>	<u>10,715</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

7. FINANCE COSTS (continued)

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.4% (1999: 7.0%) to expenditure on qualifying assets.

8. TAXATION

	2000	1999
	HK\$'000	HK\$'000
The tax charge comprises:		
Profit for the year		
PRC, excluding Hong Kong	<u>7,049</u>	<u>5,736</u>

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Pursuant to relevant laws and regulations in the PRC, certain of the Group's PRC subsidiaries established in the PRC are exempted from paying income tax for the first two years starting from their first profitable year of operation, followed by a 50 per cent. reduction from the third to fifth year. Provision for PRC income tax is provided for with reference to the applicable tax rates on the estimated assessable profits of those subsidiaries for the year.

Deferred taxation has not been provided for in the financial statements as there were no significant timing differences arising during the year or at the balance sheet date.

9. NET PROFIT FOR THE YEAR

Of the Group's net profit for the year of HK\$21,030,000 (1999: HK\$36,006,000), a profit of HK\$76,000 (1999: a loss of HK\$8,153,000) has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

10. EARNINGS PER SHARE

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

	2000 HK\$'000	1999 HK\$'000
Earnings for the purposes of basic earnings per share	21,030	36,006
Effect of dilutive potential shares: Interest on convertible note	<u>2,767</u>	<u>2,412</u>
Earnings for the purposes of diluted earnings per share	<u>23,797</u>	<u>38,418</u>
Weighted average number of shares for the purposes of basic earnings per share	1,520,000,000	1,520,000,000
Effect of dilutive potential ordinary shares: Convertible note	<u>122,629,000</u>	<u>122,629,000</u>
Weighted average number of shares for the purposes of diluted earnings per share	<u>1,642,629,000</u>	<u>1,642,629,000</u>

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for the Company's shares for both 1999 and 2000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

11. PROPERTY, PLANT AND EQUIPMENT

	Medium term leasehold land and buildings in the PRC HK\$'000	Construction in progress HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP						
COST OR VALUATION						
At 1 January 2000	164,668	3,813	202,780	28,883	25,529	425,673
Additions	17,830	3,651	55,283	2,321	6,585	85,670
Disposals	(1,897)	(28)	(914)	(1,817)	(6,026)	(10,682)
Reclassification	(3,841)	(2,653)	6,244	(27)	277	—
At 31 December 2000	<u>176,760</u>	<u>4,783</u>	<u>263,393</u>	<u>29,360</u>	<u>26,365</u>	<u>500,661</u>
Comprising:						
At cost	63,929	4,783	263,393	29,360	26,365	387,830
At valuation 1998	<u>112,831</u>	—	—	—	—	<u>112,831</u>
	<u>176,760</u>	<u>4,783</u>	<u>263,393</u>	<u>29,360</u>	<u>26,365</u>	<u>500,661</u>
DEPRECIATION						
At 1 January 2000	26,894	—	41,058	7,028	11,200	86,180
Provided for the year	11,896	—	18,604	6,286	460	37,246
Eliminated on disposals	(356)	—	(190)	(1,611)	(5,110)	(7,267)
Reclassification	(1,250)	—	1,258	(8)	—	—
At 31 December 2000	<u>37,184</u>	—	<u>60,730</u>	<u>11,695</u>	<u>6,550</u>	<u>116,159</u>
NET BOOK VALUES						
At 31 December 2000	<u>139,576</u>	<u>4,783</u>	<u>202,663</u>	<u>17,665</u>	<u>19,815</u>	<u>384,502</u>
At 31 December 1999	<u>137,774</u>	<u>3,813</u>	<u>161,722</u>	<u>21,855</u>	<u>14,329</u>	<u>339,493</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

11. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of land and buildings includes an amount of approximately HK\$10,330,000 (1999: HK\$10,865,000) in respect of assets rented out under operating leases.

	Furniture, fixtures and equipment
	<i>HK\$'000</i>
THE COMPANY	
COST	
At 1 January 2000	591
Additions	185
	<hr/>
At 31 December 2000	776
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DEPRECIATION	
At 1 January 2000	137
Provided for the year	163
	<hr/>
	300
	<hr/>
NET BOOK VALUES	
At 31 December 2000	476
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At 31 December 1999	454
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12. INVESTMENTS IN SUBSIDIARIES

	2000	1999
	HK\$'000	HK\$'000
Unlisted shares, at cost	661,257	661,257
Amounts due from subsidiaries	344,834	417,397
	<hr/>	<hr/>
	1,006,091	1,078,654
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The amounts due from subsidiaries are interest-free, unsecured and have no fixed term of repayment. In the opinion of the directors, the amounts will not be repayable within one year, therefore classified as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

12. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries as at 31 December 2000 are as follows:

Name	Place of incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held	Principal activities
Directly-owned subsidiaries				
China Pan River Group Ltd.	BVI	1 share of US\$1 each	100%	Investment holding
Sinolink Progressive Limited	BVI	47,207 shares of US\$1 each	100%	Investment holding
Indirectly-owned subsidiaries				
Chenzhou Pan River Gas Industry Co., Ltd.	PRC - Sino-foreign equity joint venture	RMB9,000,000	55%	Wholesaling and retailing of LPG
China Overlink Holdings Co., Limited	BVI	1 share of US\$1 each	100%	Investment holding
Link Capital Investments Limited	BVI	50,000 shares of US\$1 each	100%	Investment holding
Nanjing Panva LPG Company Ltd.	PRC - Sino-foreign equity joint venture	RMB50,000,000	55%	Wholesaling and retailing of LPG
Nanling Pan River LPG Ltd.	PRC - Limited liability company	RMB2,000,000	55%	Wholesaling and retailing of LPG
Ocean Diamond Limited	BVI	50,000 shares of US\$1 each	100%	Investment holding
Pan River Enterprises (Changde) Co., Ltd.	PRC - Sino-foreign equity joint venture	RMB6,000,000	85%	Wholesaling and retailing of LPG
Pan River Enterprises (Chang-sha) Co., Ltd.	PRC - Sino-foreign equity joint venture	RMB40,000,000	60%	Wholesaling and retailing of LPG

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12. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held	Principal activities
Indirectly-owned subsidiaries (continued)				
Pan River Enterprises (Hengyang) Co., Ltd.	PRC - Sino-foreign equity joint venture	RMB6,000,000	84%	Wholesaling and retailing of LPG
Pan River Enterprises (Wuhu) Co., Ltd.	PRC - Sino-foreign equity joint venture	RMB32,000,000	55%	Wholesaling and retailing of LPG
Pan River Gas (Guizhou) Co., Ltd.	PRC - Sino-foreign equity joint venture	RMB16,000,000	50.10%	Wholesaling and retailing of LPG
Panriver Investments Company Limited	PRC - Limited liability company	US\$30,000,000 (Note 1)	100%	Investment holding
Shenzhen China Overseas-Sinolink Property Management Co., Ltd.	PRC - Limited liability company	RMB1,500,000	60%	Property management
Shenzhen Fuhuade Electric Power Co., Ltd.	PRC - Foreign equity joint venture	RMB100,000,000	70%	Electricity supply
Shenzhen Sinolink Enterprises Co., Ltd.	PRC - Foreign equity joint venture	RMB375,000,000	80%	Property development
Shenzhen Sinolink Property Management Co., Ltd.	PRC - Foreign equity joint venture	RMB2,000,000	75%	Property management
Shenzhen Weikong Decorate Engineering Co., Ltd.	PRC - Foreign equity joint venture	RMB5,000,000	100%	Decoration, interior design and related services
Singkong Investments Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

12. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held	Principal activities
Indirectly-owned subsidiaries (continued)				
Sinolink Electric Power Company Limited	Hong Kong	2 ordinary shares of HK\$1 each 100,000 non-voting deferred shares of HK\$1 each	100% —	Investment holding
Sinolink Industrial Limited	BVI	50,001 shares of US\$1 each	100%	Investment holding
Sinolink International Investment (Group) Limited	BVI	1 share of US\$1 each	100%	Investment holding
Sinolink LPG Development Limited	BVI	1 share of US\$1 each	100%	Not yet commenced business
Sinolink LPG Investment Limited	BVI	1 share of US\$1 each	100%	Investment holding
Sinolink Petrochemical Investment Limited	BVI	1 share of US\$1 each	100%	Not yet commenced business
Sinolink Power Investment Limited	BVI	1 share of US\$1 each	100%	Investment holding
Sinolink Properties Agent Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Property agent
Sinolink Worldwide (HK) Company Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100%	Investment holding
Wuhu Pan River Jiangbei Enterprises Co., Ltd.	PRC - Limited liability company	RMB500,000	51%	Wholesaling and retailing of LPG
Wuhu Pan River Sanpeng LPG Co., Ltd.	PRC - Sino-foreign equity joint venture	RMB2,300,000	55%	Ceased operation
Xiangtan Pan River Energy Industry Co., Ltd.	PRC - Sino-foreign equity joint venture	RMB10,000,000	55%	Wholesaling and retailing of LPG

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

12. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held	Principal activities
Indirectly-owned subsidiaries (continued)				
Yangzi Petrochemical Baijiang Energy Resources Co., Ltd.	PRC - Sino-foreign equity joint venture	US\$7,230,000	50% (Note 2)	Wholesaling and retailing of LPG
Yiyang Pan River Enterprises Co., Ltd.	PRC - Sino-foreign equity joint venture	RMB5,000,000	60%	Wholesaling and retailing of LPG
Yongzhou Pan River Enterprises Co., Ltd.	PRC - Sino-foreign equity joint venture	RMB5,000,000	60%	Wholesaling and retailing of LPG

Note 1: Panriver Investments Company Limited is a foreign wholly-owned enterprise with a tenure of 50 years. At the date of this report, Panriver Investments Company Limited has outstanding registered capital contribution of US\$23,000,000 which needs to be paid up by China Pan River Group Ltd. by 9 March 2002 on such later date as approved by the relevant PRC governing authority. The Directors expect to fulfill such capital contributions by way of transferring the Group's equitable interests in operating subsidiaries with carrying amount of approximately US\$17 million, and injecting US\$6 million cash into Panriver Investments Company Limited.

Note 2: Yangzi Petrochemical Baijiang Energy Resources Co., Ltd. is a subsidiary of the Company because the Company has control over the board of directors.

None of the subsidiaries had any loan capital subsisting at 31 December 2000 or at any time during the year.

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13. INTERESTS IN ASSOCIATES

	THE GROUP	
	2000	1999
	HK\$'000	<i>HK\$'000</i>
Share of net assets	663	(390)
Amounts due from associates	8,678	8,678
	9,341	8,288

The amounts due from associates are interest free and unsecured.

As at 31 December 2000, the Group had interests in the following associates:

Name of associate	Place of incorporation/ establishment and operation	Issued and fully paid up registered capital	Proportion of nominal value of registered capital held by the Group	Principal activities
Shenzhen Xiangdu F. & E. Co., Ltd.	PRC - Foreign equity joint venture	RMB4,000,000	45%	Restaurant operation
Shenzhen Everlink Cable Engineering Consulting Co., Ltd.	PRC - Foreign equity joint venture	RMB3,000,000	21%	Cable work consulting service
Shenzhen Sino-Trust Investment Co., Ltd.	PRC - Limited liability company	RMB10,000,000	30%	Investment
Shenzhen Northern Red Star Culture & Art Development Co., Ltd.	PRC - Limited liability company	RMB1,000,000	25%	Not yet commenced business

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14. INVESTMENT SECURITIES

	Investment securities		Other investments		Total	
	2000	1999	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity securities						
Listed - Hong Kong	—	—	1,324	—	1,324	—
Unlisted	1,124	1,124	—	—	1,124	1,124
	<u>1,124</u>	<u>1,124</u>	<u>1,324</u>	<u>—</u>	<u>2,448</u>	<u>1,124</u>
Market value of listed securities	—	—	1,324	—	1,324	—
Carrying amount analysed for reporting purposes as:						
Non-current	1,124	1,124	—	—	1,124	1,124
Current	—	—	1,324	—	1,324	—
	<u>1,124</u>	<u>1,124</u>	<u>1,324</u>	<u>—</u>	<u>2,448</u>	<u>1,124</u>

15. LOAN RECEIVABLE

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Trade receivables — non-current portion (note 18)	<u>5,982</u>	<u>6,753</u>

16. STOCK OF PROPERTIES

	THE GROUP	
	2000	1999
	HK\$'000	HK\$'000
Properties under development for sale		
Cost plus attributable profit less foreseeable losses	544,870	632,545
Less: Progress payments received	<u>1,130</u>	<u>5,924</u>
	543,740	626,621
Stock of unsold properties	<u>248,461</u>	<u>186,026</u>
	<u>792,201</u>	<u>812,647</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

17. INVENTORIES

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
At cost:		
LPG	12,675	8,681
Diesel fuel	6,448	2,266
Consumable stores	5,272	3,505
	<u>24,395</u>	<u>14,452</u>

18. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period ranging from 0 to 180 days to its customers. Included in trade and other receivables are trade receivables totalling HK\$258,644,000 (1999: HK\$322,235,000), the aged analysis of which is as follows:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Aged:		
0 to 90 days	77,535	28,172
91 to 180 days	1,608	38,220
181 to 360 days	9,071	—
over 360 days	170,430	255,843
	<u>258,644</u>	<u>322,235</u>
Less: Non-current portion (note 15)	(5,982)	(6,753)
	<u>252,662</u>	<u>315,482</u>

19. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$214,616,000 (1999: HK\$247,719,000), the aged analysis of which is as follows:

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Aged:		
0 to 90 days	205,046	229,069
91 to 180 days	—	—
181 to 360 days	948	1,594
over 360 days	8,622	17,056
	<u>214,616</u>	<u>247,719</u>

20. AMOUNT DUE TO A SUBSIDIARY

The balance represents the current account with Ocean Diamond Limited which is unsecured, interest free and with no fixed term of repayment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

21. AMOUNTS DUE TO MINORITY SHAREHOLDERS

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Interest-bearing portion	7,480	7,480
Interest-free portion	49,005	15,317
	<u>56,485</u>	<u>22,797</u>

These balances are unsecured and have no fixed term of repayment. The interest bearing portion bears interest equivalent to the prevailing bank rate.

22. AMOUNT DUE TO A DIRECTOR

The balance in 1999 represents a current account with the director, Mr. Ou Yaping which is unsecured and bears interest at an interest rate equivalent to three months Hong Kong Interbank Offer Rate.

23. BORROWINGS

	THE GROUP		THE COMPANY	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank loans (secured)	229,093	226,380	—	—
Convertible note	55,183	55,183	55,183	55,183
	<u>284,276</u>	<u>281,563</u>	<u>55,183</u>	<u>55,183</u>
The maturity of the above loans is as follows:				
On demand or within one year	229,093	226,380	—	—
More than two years but not exceeding five years	55,183	55,183	55,183	55,183
	<u>284,276</u>	<u>281,563</u>	<u>55,183</u>	<u>55,183</u>
Less: Amount due within one year shown under current liabilities	<u>(229,093)</u>	<u>(226,380)</u>	<u>—</u>	<u>—</u>
Non-current portion	<u>55,183</u>	<u>55,183</u>	<u>55,183</u>	<u>55,183</u>

The convertible loan note was issued on 12 February 1999. The note is convertible into shares of the Company from the date of issue up to the third anniversary of the date of issuance. The outstanding unconverted principal amount of the note will be redeemed on 11 February 2002 at par. Interest of 5% is paid quarterly.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

24. SHARE CAPITAL

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Shares of HK\$0.1 each		
Authorised:		
2,000,000,000 shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
1,520,000,000 shares of HK\$0.10 each	<u>152,000</u>	<u>152,000</u>

25. SHARE OPTION SCHEME

The share option scheme of the Company provides that the directors of the Company may offer to any executive directors and full-time employees of the Group options to subscribe for shares of the Company in accordance with the terms of the share option scheme.

No options were exercised during the year. Share options granted and cancelled during the year and outstanding at 31 December 2000 were as follows:

Date of share options granted	Exercise price HK\$	No. of share options at 1 January 2000	No. of share options granted during the year	No. of share options cancelled during the year	No. of share options at 31 December 2000
29 June 1998	0.60	20,000,000	—	—	20,000,000
29 June 1998	0.70	20,000,000	—	—	20,000,000
1 March 1999	0.45	23,150,000	—	5,000,000	18,150,000
20 January 2000	0.55	—	4,500,000	3,200,000	1,300,000
		<u>63,150,000</u>	<u>4,500,000</u>	<u>8,200,000</u>	<u>59,450,000</u>

The share options granted during the year were accepted by the grantees upon payment to the Company a total of \$11.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

26. RESERVES

	Share premium account <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Goodwill reserve <i>HK\$'000</i>	General reserve <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP							
At 1 January 1999	293,853	(5,570)	(4,894)	46,289	368,262	293,475	991,415
Exchange rate adjustment	—	(193)	—	—	—	—	(193)
Goodwill arising on acquisition of subsidiaries	—	—	(1,091)	—	—	—	(1,091)
Profit for the year	—	—	—	—	—	36,006	36,006
At 31 December 1999	293,853	(5,763)	(5,985)	46,289	368,262	329,481	1,026,137
Exchange rate adjustment	—	21	—	—	—	—	21
Transfer from profit and loss account	—	—	—	5,493	—	(5,493)	—
Profit for the year	—	—	—	—	—	21,030	21,030
At 31 December 2000	<u>293,853</u>	<u>(5,742)</u>	<u>(5,985)</u>	<u>51,782</u>	<u>368,262</u>	<u>345,018</u>	<u>1,047,188</u>

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At 1 January 1999	293,853	572,173	78,469	944,495
Loss for the year	—	—	(8,153)	(8,153)
At 31 December 1999	293,853	572,173	70,316	936,342
Profit for the year	—	—	76	76
At 31 December 2000	<u>293,853</u>	<u>572,173</u>	<u>70,392</u>	<u>936,418</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

26. RESERVES (continued)

Included in the above are the following Group's share of post-acquisition reserves of the associates:

	Accumulated loss <i>HK\$'000</i>
At 1 January 2000	(3,896)
Loss for the year, accumulated	<u>222</u>
At 31 December 2000	<u><u>(3,674)</u></u>

The contributed surplus of the Company represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1998.

The contributed surplus of the Group represents the differences between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1998.

General reserve represents Enterprise Expansion Fund and General Reserve Fund set aside by certain subsidiaries in accordance with the relevant laws and regulations of the PRC, which are not available for distribution.

Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

26. RESERVES (continued)

- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Contributed surplus	572,173	572,173
Retained earnings	<u>70,392</u>	<u>70,316</u>
	<u>642,565</u>	<u>642,489</u>

27. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Profit from ordinary activities before taxation	34,464	47,722
Share of (profits) loss of associates	(222)	1,488
Interest income	(27,455)	(31,678)
Interest expense	3,784	10,715
Provision for doubtful debt	3,301	—
Depreciation and amortisation	37,246	35,236
Unrealised loss on other investment	554	—
Loss on disposal of property, plant and equipment	1,058	4,373
Movements in assets/liabilities held for operating activities:		
Decrease (increase) in stock of properties	33,244	(83,029)
(Increase) in inventories	(9,943)	(7,987)
Decrease in trade and other receivables	58,591	107,444
Decrease in amount due to a related company	—	(3,541)
Decrease (increase) in loan receivable	771	(6,753)
Increase in trade and other payables	<u>28,666</u>	<u>46,742</u>
NET CASH INFLOW FROM CONTINUING OPERATING ACTIVITIES	<u>164,059</u>	<u>120,732</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

28. PURCHASE OF SUBSIDIARIES

	2000 HK\$'000	1999 <i>HK\$'000</i>
NET ASSETS ACQUIRED		
Property, plant and equipment	—	57,209
Inventories	—	2,608
Trade and other receivables	—	36,276
Amount due from minority shareholders	—	16,088
Bank balances and cash	—	64,172
Taxation recoverable	—	(726)
Trade and other payables	—	(37,065)
Minority interests	—	(83,418)
	<u>—</u>	<u>—</u>
Goodwill	—	55,144
	<u>—</u>	<u>1,091</u>
	<u>—</u>	<u>56,235</u>
SATISFIED BY		
Issue of convertible loan note	—	55,183
Cash	—	1,052
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>56,235</u>

29. ANALYSIS OF THE NET INFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE PURCHASE OF A SUBSIDIARY

	2000 HK\$'000	1999 <i>HK\$'000</i>
Cash consideration	—	(1,052)
Bank balances and cash acquired	—	64,172
	<u>—</u>	<u>—</u>
Net inflow of cash and cash equivalents in respect of the purchase of a subsidiary	<u>—</u>	<u>63,120</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

30. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium <i>HK\$'000</i>	Bank loans <i>HK\$'000</i>	Amounts due to a director <i>HK\$'000</i>	Amounts due to an associate <i>HK\$'000</i>	Amounts due to minority interests <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
Balance at 1 January 1999	445,853	201,235	76,983	2,776	92,781	170,693
Net cash inflow (outflow) from financing	—	25,145	(72,270)	(2,776)	(53,896)	—
Effect on acquisition of subsidiaries	—	—	—	—	(16,088)	83,418
Minority share of profit for the year	—	—	—	—	—	5,980
Balance at 31 December 1999	445,853	226,380	4,713	—	22,797	260,091
Net cash inflow (outflow) from financing	—	2,713	(4,713)	—	33,688	17,927
Dividend paid to minority shareholder	—	—	—	—	—	(1,871)
Minority share of reserves	—	—	—	—	—	1,698
Minority share of profit for the year	—	—	—	—	—	5,012
Balance at 31 December 2000	<u>445,853</u>	<u>229,093</u>	<u>—</u>	<u>—</u>	<u>56,485</u>	<u>282,857</u>

31. RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions carried out during the year:

	2000 HK\$'000	1999 <i>HK\$'000</i>
Sinolink Worldwide Company Limited (<i>Note a</i>)		
— Interest paid thereto	—	1,370
— Licence fee paid thereto	—	590
— Sharing of overheads paid thereto	—	55
Skillful Assets Limited (<i>Notes b & c</i>)		
— Rental paid thereto (<i>Note d</i>)	1,200	1,200
Mr. Ou Yaping (<i>Note b</i>)		
— Interest paid thereto (<i>Note 22</i>)	40	2,816
— Convertible note interest paid thereto (<i>Note e</i>)	2,767	2,412
Shenzhen Xiangdu F. & E. Co., Ltd. (<i>Note b</i>)		
— Rental received therefrom (<i>Note d</i>)	<u>674</u>	<u>674</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

31. RELATED PARTY TRANSACTIONS (continued)

Notes:

- a. Mr. Ou Yaping, a director and shareholder of the Company, has direct beneficial interest in this company.
- b. Transactions with these related parties are regarded as connected transactions as set out in Chapter 14 of the Listing Rules of the Stock Exchange.
- c. A company controlled by Mr. Ou Yaping and of which Mr. Ou Yaping is a director.
- d. Rental expenses were determined by the directors based on the directors' estimates of fair market value
- e. The interest expense was determined in accordance with the loan agreement.

32. RETIREMENT BENEFITS SCHEME

The Group provides a provident fund scheme for its Hong Kong employees and the scheme is funded by contributions from employers and employees. The amount of the Group's contributions is based on a specified percentage of the basic salary of the employees concerned. Forfeited contributions in respect of unvested benefits of employees leaving the scheme prior to benefits being vested are used to reduce the Group's ongoing contributions.

Moreover, pursuant to the relevant PRC regulations, relevant subsidiaries are required to contribute amounts ranging from approximately 7 to 25 per cent. of the aggregate staff wages to certain defined contribution retirement benefits schemes for the Group's employees in the PRC.

Details of the contributions made by the Group during the year are as follows:

	2000	1999
	HK\$'000	HK\$'000
Group contribution to staff provident fund	1,406	518
Forfeited contribution utilised	(85)	(106)
Net contributions charged to operating profit	<u>1,321</u>	<u>412</u>
Un-utilised forfeited contributions	<u>—</u>	<u>—</u>

With the Implementation of Mandatory Provident Fund ("MPF") Schemes Ordinance on 1 December 2000 in Hong Kong, the Group also participates in master trust MPF schemes operated by independent service providers. Mandatory contributions to these MPF schemes are made by both the employers and employees at 5% of the employees' monthly relevant income capped at HK\$20,000. As the Group's retirement schemes in Hong Kong are non-MPF exempted recognised occupational retirement schemes ("ORSO schemes"), all the existing members have to lapse their ORSO schemes and participate in the MPF schemes since 1 December 2000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

33. CONTINGENT LIABILITIES

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Guarantees given to banks as security for the mortgage loans arranged for the purchasers of the Group's properties	<u>175,046</u>	<u>552,215</u>

On 17 May 1996, a legal claim in the amount of approximately HK\$13,585,000 was brought against Sinolink Worldwide (HK) Company Limited by a third party for charter hire charges overdue. After consultation with the legal adviser in relation to this litigation, the Directors believe that the claim will not have any material adverse effect on the financial position of the Group. No provision for loss has therefore been made by the Group in respect of the outstanding claim. Mr. Ou Yaping, the controlling shareholder of the Company, has agreed to indemnify the Group in connection with any amount payable and all expenses incurred (including legal costs) by Sinolink Worldwide (HK) Company Limited arising from or in connection with this claim in the event that Sinolink Worldwide (HK) Company Limited is unsuccessful in defending the claim.

34. CAPITAL COMMITMENTS

	THE GROUP	
	2000 HK\$'000	1999 HK\$'000
Commitments in respect of properties under development:		
— authorised but not contracted for	910,006	1,107,041
— contracted but not provided for	<u>16,084</u>	<u>17,500</u>
	<u>926,090</u>	<u>1,124,541</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

35. LEASE COMMITMENTS

At the balance sheet date, the Group and the Company had the following outstanding annual commitments in respect of land and buildings under non-cancellable operating leases:

	2000	1999
	HK\$'000	HK\$'000
THE GROUP		
Leases which expire:		
— within one year	1,030	1,447
— in the second to fifth year inclusive	1,912	2,267
— over five years	519	624
	3,461	4,338
THE COMPANY		
Leases which expire:		
— in the second to fifth year inclusive	812	1,500

36. PLEDGE OF ASSETS

The Group has pledged its land held under medium term leases included in the properties under development for sale, having a net book value of approximately HK\$240,160,000 (1999: HK\$237,204,000) to secure general banking facilities granted to a subsidiary of the Company.

In addition, the Group had pledged property, plant and equipment having a net book value amounted to approximately HK\$8,954,000 (1999: Nil) to secure bank loans granted to the subsidiaries of the Company.

37. POST BALANCE SHEET EVENT

Subsequent to 31 December 2000, the Group spun-off its LPG business held by China Pan River Group Limited, a wholly-owned subsidiary of the Company on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited on 20 April 2001.

The spin-off involved the following:

On 4 April 2001, a corporate reorganisation was carried out whereby Panva Gas Holdings Limited, a wholly owned subsidiary of the Company incorporated in the Cayman Islands on 16 November 2000, acquired the entire share capital of China Pan River Group Limited and became the holding company of the spun-off group.

As at the date of this report, the Group holds 77.96% of the issued share capital of Panva Gas Holdings Limited and remains its controlling shareholder.