1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAPs") and Interpretations issued by the Hong Kong Society of Accountants (the "HKSA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the accounts

The measurement basis used in the preparation of the accounts is historical cost.

The consolidated accounts include the accounts of the Company and all its subsidiaries (the "Group") made up to 31 December each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from or to the date of their acquisition or disposal, as appropriate. All material intercompany transactions and balances are eliminated on consolidation.

(c) Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see Note 1(f)).

(d) Goodwill

Goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. Amortization is charged to the consolidated profit and loss account on a straight-line basis over its estimated useful life. Goodwill is stated in the consolidated balance sheet at cost less any accumulated amortization and any impairment losses (see Note 1(f)).

(e) Fixed assets, depreciation and amortization

Fixed assets are stated at cost less accumulated depreciation and impairment losses (see Note 1(f)).

Subsequent expenditure relating to a fixed asset that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognized in the profit and loss account on the date of retirement or disposal.

Depreciation and amortization are calculated to write off the cost of fixed assets over their estimated useful lives as follows:

(i) Land use rights

The cost of acquiring land use rights is amortized in equal annual instalments over the period of the grant or the remaining joint venture period, if shorter.

(ii) Buildings

Depreciation is provided to write off the cost of buildings on a straight-line basis over the remaining terms of the respective land use rights or their anticipated useful lives, if shorter.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Fixed assets, depreciation and amortization (Continued)

(iii) Other fixed assets

Depreciation is calculated to write off the cost of other fixed assets over their anticipated useful lives on a straight line basis as follows:

Plant, machinery and equipment	27 years
Motor vehicles	5 years
Others	3 – 10 years

(f) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

– fixed assets;
– investments in subsidiaries; and
– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. For goodwill that is amortized over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognized.

(g) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include advances from banks repayable within three months from the date of the advance.

(h) Consumables

Consumables comprise fuel oil, components and parts and others for own consumption purposes. Fuel oil is stated at cost computed using the weighted average method. Components and parts and others are stated at cost computed using the weighted average method less any provisions for damages or obsolescence.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallize in the foreseeable future. Future deferred tax benefits are not recognized unless their realization is assured beyond reasonable doubt.

(j) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(k) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in the profit and loss account as follows:

(i) Revenue arising from sale of electricity is recognized based on electricity supplied as recorded by meters read during the year.

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

(l) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transactions dates. Monetary assets and liabilities denominated in foreign currencies and the accounts of the People's Republic of China ("PRC") subsidiary are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account, except for those arising from the re-translation at closing rates of the opening net investment in the PRC subsidiary, which are taken directly to reserves.

(m) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(n) Borrowing costs

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(o) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

2. CHANGES IN ACCOUNTING POLICIES

During 2001, the Group adopted SSAP 17 (revised) "Property, plant and equipment", SSAP 28 "Provisions, contingent liabilities and contingent assets" and SSAP 9 (revised) "Events after the balance sheet date" issued by the HKSA.

(a) Planned maintenance

The PRC subsidiary operates a planned maintenance scheme for its power generating plant, under which the projected maintenance cost for each maintenance cycle is estimated by the directors in consultation with the plant management and by reference to the estimated number of operating hours in a maintenance cycle. In prior years, the projected maintenance cost was charged to the profit and loss account on the basis of the number of operating hours run by the power plant in each year.

With effect from 1 January 2001, the Group adopted the accounting policies as set out below in order to comply with SSAP 17 (revised) "Property, plant and equipment" and SSAP 28 "Provisions, contingent liabilities and contingent assets" issued by the HKSA. The new accounting policies have been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior years. As a result of the new accounting policies, the Group's profit for the year ended 31 December 2001 has been decreased by $9,489,000 (2000: loss decreased by $954,000) and the net assets as at 31 December 2001 have been increased by $16,801,000 (2000: $26,290,000).

(i) Cost of planned maintenance

Where costs of planned maintenance, which can be measured reliably, are identified as a separate component of the asset and it is probable that future economic benefits associated with the asset will flow to the Group, the costs are capitalized and depreciated over the useful life of the component.

(ii) Provisions and contingent liabilities

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(b) Dividends

In prior years, dividends proposed or declared after the balance sheet date were recognized as liabilities in the accounting period to which they relate. With effect from 1 January 2001, in order to comply with SSAP 9 (revised) issued by the HKSA, the Group recognizes dividends proposed or declared as a liability in the accounting period in which they are declared by the directors (in case of interim dividends) or approved by the shareholders (in case of final dividends). Consequently, dividend income from subsidiaries is recognized as income in the Company's profit and loss account in the accounting period in which they are declared.

As a result of this new accounting policy, the Company's and Group's net assets at 31 December 2001 have been increased by $12,435,000 (2000: decreased by $20,000,000) and $12,435,000 (2000: Nil) respectively. There is no impact on the Group's profit attributable to shareholders for the years presented. The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior years.

3. TURNOVER

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 15 on the accounts. Turnover represents the invoiced value, net of value added tax, of electricity supplied in Foshan City, Guangdong Province, the PRC. Included in the turnover are additional fuel cost surcharges of $21.1 million (2000: $27.7 million) for electricity supplied.

4. SEGMENT REPORTING

The Group's results are almost entirely attributable to its generation and sale of electricity in the PRC. Accordingly, no segmental analysis is provided.

5. OTHER NET INCOME

	2001	2000
	$'000	*$'000*
Net exchange gain	**8**	711
Insurance compensation	**–**	2,462
Others	**396**	–
	404	3,173

6. PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(Loss) from ordinary activities before taxation is arrived at after charging:

		2001	2000
		$'000	*$'000*
(a)	**Finance costs**		
	Interest on promissory note repayable within five years	**1,026**	2,512
	Interest on other borrowings	**46,049**	66,413
		47,075	68,925
(b)	**Other items**		
	Cost of consumables	**461,451**	496,011
	Depreciation and amortization (other than for goodwill)	**89,179**	89,196
	Staff costs (including retirement costs of $783,000 (2000: $586,000))	**16,700**	11,265
	Operating lease charges on buildings	**686**	691
	Auditors' remuneration	**843**	642

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2001	2000
	$'000	*$'000*
Fees	**441**	450
Other emoluments	**2,101**	2,057
	2,542	2,507

8. TAXATION

(a) No provision has been made for Hong Kong profits tax as the Group sustained losses in Hong Kong for taxation purposes during the year. The tax charge represents provision for the income tax levied by the PRC at 18% (2000: 7.5%) on the estimated assessable profits of the Company's subsidiary, 佛山市沙口發電廠有限公司 (Foshan Shakou Power Plant Co., Ltd.) ("Shakou JV"), for the year.

8. TAXATION (Continued)

(b) Taxation in the consolidated balance sheet represents:

	2001 **$'000**	2000 *$'000*
Provision for PRC income tax for the year	**13,943**	2,276
Balance of PRC income tax provision relating to prior years	**2,678**	9,118
Amount paid during the year	**(1,959)**	(8,716)
	14,662	2,678
PRC value added tax (recoverable)/payable	**(2,855)**	6,000
Taxation	**11,807**	8,678

(c) No provision for deferred taxation has been made as the effect of all timing differences is immaterial.

9. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit/(loss) attributable to shareholders includes a loss of $3,273,000 (2000: $3,050,000) which has been dealt with in the accounts of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2001 **$'000**	2000 *$'000*
Amount of consolidated loss attributable to shareholders dealt with in the Company's accounts	**(3,273)**	(3,050)
Final dividend from subsidiary attributable to the profits of the previous financial year, approved and paid during the year	**20,000**	24,000
Profit for the year *(Note 24)*	**16,727**	20,950

10. DIVIDENDS

(a) Dividends attributable to the year

	2001 **$'000**	2000 *$'000*
Final dividend proposed after the balance sheet date of 1.5 cents per share (2000: Nil)	**12,435**	–

The final dividend proposed after the balance sheet date has not been recognized as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2001 **$'000**	2000 *$'000*
Final dividend in respect of the previous financial year, approved and paid during the year	**–**	29,016

11. BASIC EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to shareholders of $12,875,000 (2000: loss of $18,622,000) and the weighted average number of 829,018,244 (2000: 829,018,244) shares in issue during the year.

12. RELATED PARTY TRANSACTIONS

Name of related company	Nature of transaction	2001 $'000	2000 $'000
Gloryson Limited	Rental of office premises	**686**	691
Foshan City District Electricity Fuel Supply Company	Purchase of fuel *(Note)*	**458,995**	495,426
Foshan City District Electric Power Construction Corporation and its associate	Interest on loans	**46,049**	66,413
Hensil Investments Group Limited	Interest on promissory note	**1,026**	2,512

Note: All the values are exclusive of value added tax.

Rentals were paid at market rates. Madam Yip Siu Chun, being a controlling shareholder of the Company, is beneficially interested in Gloryson Limited.

During the year, the Group purchased fuel from 佛山市區電力燃料公司 (Foshan City District Electricity Fuel Supply Company) ("Fuel Company"). As at 31 December 2001, amount due to the Fuel Company was $77 million (2000: $41.41 million). The Fuel Company, being an associate of 佛山市區電力建設總公司 (Foshan City District Electric Power Construction Corporation) ("Power Construction Corporation"), is a related party to the Company because Power Construction Corporation is a substantial shareholder of Shakou JV.

During the year, Shakou JV had outstanding loans due to Power Construction Corporation and its associate pursuant to certain loan agreements entered into between Shakou JV and the respective counter parties. As at 31 December 2001, the outstanding loans, including an overdue amount of $47.61 million (2000: $17.17 million), amounted to approximately $560.11 million (2000: $618.62 million), details of which are disclosed in note 22. Apart from the outstanding loans, as at 31 December 2001, there was overdue interest payable to these parties amounting to $20.94 million (2000: $24.08 million), which is interest-free.

As at 31 December 2001, the outstanding amount of the promissory note due to Hensil Investments Group Limited ("Hensil Investments") amounted to $6.72 million (2000: $20.16 million). Details of the promissory note are disclosed in note 21. Hensil Investments is a related party to the Company because it is a controlling shareholder of the Company.

13. FIXED ASSETS

	Land use rights $'000	Buildings $'000	Plant machinery and equipment $'000	Motor vehicles $'000	Others $'000	The Group Total $'000	The Company Others $'000
Cost:							
At 1 January 2001 (Restated)	55,972	142,599	1,694,286	8,017	7,878	1,908,752	2,880
Additions	–	–	6,002	355	2,304	8,661	–
At 31 December 2001	55,972	142,599	1,700,288	8,372	10,182	1,917,413	2,880
Accumulated depreciation and amortization:							
At 1 January 2001 (Restated)	11,494	28,112	405,601	7,546	5,942	458,695	2,880
Charge for the year	1,999	5,283	80,080	524	1,293	89,179	–
At 31 December 2001	13,493	33,395	485,681	8,070	7,235	547,874	2,880
Net book value:							
At 31 December 2001	42,479	109,204	1,214,607	302	2,947	1,369,539	–
At 31 December 2000 (Restated)	44,478	114,487	1,288,685	471	1,936	1,450,057	–

All of the Group's buildings are located in the PRC. Land use rights relate to the right to use the land of Shakou JV, on which the Group's buildings and plant are situated, for period to 1 May 2043.

14. GOODWILL

	The Group
	$'000
Cost:	
At 1 January & 31 December 2001	790,533
Accumulated amortization:	
At 1 January 2001	85,729
Amortization for the year	31,621
At 31 December 2001	117,350
Carrying amount:	
At 31 December 2001	673,183
At 31 December 2000	704,804

Goodwill is amortized over 25 years, i.e. the remaining joint venture period of Shakou JV as at the date of the acquisition, on a straight-line basis.

15. INVESTMENTS IN SUBSIDIARIES

(a) The Company

	2001	2000
	$'000	*$'000*
Unlisted shares, at cost	**1,338,500**	1,338,500

(b) Details of the Company's subsidiaries are as follows

Name of company	Place of incorporation/ establishment and operation	Issued and paid up share capital	Percentage of equity interest held Directly	Indirectly	Principal activities
Hensil Worldwide Inc.	British Virgin Islands	Ordinary US$2	100%	–	Investment holding
Lipromate Limited	Hong Kong	Ordinary $2	100%	–	Provision of financial and management services
Foshan Shakou Power Plant Co., Ltd.	The PRC	US$85,000,000 *(Note)*	–	80%	Generation and sale of electricity

Note: This represents the registered and paid up capital of Shakou JV, a sino-foreign equity joint venture in Foshan City, the PRC. Pursuant to an approval document issued by the Guangdong Province Foreign Trade and Economic Commission dated 14 March 1997, the joint venture period was extended to 30 years expiring on 16 April 2023.

16. CONSUMABLES

The Group	**2001**	2000
	$'000	*$'000*
Fuel oil	**1,655**	472
Components and parts	**7,980**	5,514
Others	**1,347**	894
	10,982	6,880

17. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables is a trade debtor with the following ageing analysis:

	The Group		The Company	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
Current	**125,789**	77,138	**–**	–
1 to 3 months overdue	**35,712**	–	**–**	–
	161,501	77,138	**–**	–

Debts are due within one month from the date of billing. All of the trade and other receivables are expected to be recovered within one year.

18. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
Deposits with banks	**52,310**	45,879	**52,310**	45,879
Cash at bank and in hand	**88,466**	105,407	**316**	184
	140,776	151,286	**52,626**	46,063

19. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
Creditors and accrued charges	**65,385**	39,565	**1,043**	1,680
Amounts due to related companies	**97,944**	65,492	**–**	–
	163,329	105,057	**1,043**	1,680

Included in trade and other payables are trade creditors with the following ageing analysis:

	The Group		The Company	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
Due within 1 month or on demand	**120,583**	67,800	**–**	–

All of the trade and other payables are expected to be settled within one year.

20. PROVISION FOR STAFF WELFARE

The Group	*$'000*
At 1 January 2001	10,163
Provision made	3,599
Amount utilized	(4,320)
At 31 December 2001	9,442

In accordance with the accounting principles and financial regulations applicable in the PRC, the PRC subsidiary is required to transfer part of its profit after taxation to the staff welfare fund. The transfer amount is determined by the subsidiary's board of directors in accordance with the joint venture agreement and the transfer is made before profit distribution to the joint venture partners.

21. PROMISSORY NOTE – UNSECURED

	The Group		The Company	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
The note is repayable within the periods as follows:				
Within one year	**6,720**	13,438	**6,720**	13,438
Between one to two years	**–**	6,720	**–**	6,720
	6,720	20,158	**6,720**	20,158

The non-transferable promissory note bears interest at best Hong Kong dollar lending rate and is repayable half-yearly by 8 equal instalments. The promissory note is due to Hensil Investments.

22. LOANS – UNSECURED

	The Group	
	2001	2000
	$'000	*$'000*
Loans are repayable within the periods as follows:		
Within one year	**136,554**	106,117
Between one to two years	**88,948**	88,948
Between two to five years	**266,845**	266,845
After five years	**67,760**	156,708
	423,553	512,501
	560,107	618,618

The loans are denominated in Renminbi bearing interest at a fixed interest rate of 8.08% (2000: 10.08%) per annum and repayable half-yearly by 20 equal instalments. These loans are due to Power Construction Corporation and its associate.

23. SHARE CAPITAL

	2001		2000	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***$'000***	*'000*	*$'000*
Authorized:				
Shares of $0.10 each	**1,100,000**	**110,000**	1,100,000	110,000
Issued and fully paid:				
Balance brought forward & carried forward	**829,018**	**82,902**	829,018	82,902

24. RESERVES

The Group

	Share premium *(Note a)* *$'000*	Capital redemption reserve *(Note a)* *$'000*	Reserve fund *(Note b)* *$'000*	Enterprise development fund *(Note b)* *$'000*	Retained profits *$'000*	Total *$'000*
Balance at 1 January 2000						
– as previously reported	1,041,444	297	13,775	13,775	284,012	1,353,303
– prior year adjustments in respect of:						
– dividend proposed *(Note 2)*	–	–	–	–	29,016	29,016
– planned maintenance *(Note 2)*	–	–	–	–	25,336	25,336
– as restated	1,041,444	297	13,775	13,775	338,364	1,407,655
Dividend approved in respect of the previous year *(Note 10)*	–	–	–	–	(29,016)	(29,016)
Loss for the year	–	–	–	–	(18,622)	(18,622)
Transfer to PRC subsidiary's reserves	–	–	580	580	(1,160)	–
Balance at 31 December 2000	1,041,444	297	14,355	14,355	289,566	1,360,017
Balance at 1 January 2001						
– as previously reported	1,041,444	297	14,355	14,355	263,276	1,333,727
– prior year adjustments in respect of planned maintenance *(Note 2)*	–	–	–	–	26,290	26,290
– as restated	1,041,444	297	14,355	14,355	289,566	1,360,017
Profit for the year	–	–	–	–	12,875	12,875
Transfer to PRC subsidiary's reserves	–	–	2,879	2,879	(5,758)	–
Balance at 31 December 2001	1,041,444	297	17,234	17,234	296,683	1,372,892

Notes: (a) The application of the share premium account and capital redemption reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

(b) In accordance with the accounting principles and financial regulations applicable in the PRC, the PRC subsidiary is required to transfer part of its profit after taxation to the reserve fund and the enterprise development fund. The transfer amounts are determined by the subsidiary's board of directors in accordance with the joint venture agreement and the transfers are made before profit distribution to the joint venture partners. Reserve fund can only be used to make good losses, if any, and for increasing capital. Enterprise development fund can only be used for increasing capital.

24. RESERVES (Continued)

The Company

	Share premium *$'000*	**Capital redemption reserve** *$'000*	**Retained profits** *$'000*	**Total** *$'000*
Balance at 1 January 2000				
– as previously reported	1,041,444	297	229,484	1,271,225
– prior year adjustments in respect of:				
– dividend proposed *(Note 2)*	–	–	29,016	29,016
– dividend income *(Note 2)*	–	–	(24,000)	(24,000)
– as restated	1,041,444	297	234,500	1,276,241
Dividends approved in respect of the previous year *(Note 10)*	–	–	(29,016)	(29,016)
Profit for the year	–	–	20,950	20,950
Balance at 31 December 2000	1,041,444	297	226,434	1,268,175
Balance at 1 January 2001				
– as previously reported	1,041,444	297	246,434	1,288,175
– prior year adjustments in respect of dividend income *(Note 2)*	–	–	(20,000)	(20,000)
– as restated	1,041,444	297	226,434	1,268,175
Profit for the year	–	–	16,727	16,727
Balance at 31 December 2001	1,041,444	297	243,161	1,284,902

The distributable reserves of the Company at 31 December 2001 amounted to $243,161,000 (2000 (Restated): $226,434,000).

25. NOTES ON THE CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2001 *$'000*	2000 Restated- Note 2 *$'000*
Operating profit	**86,184**	57,053
Interest income	**(2,577)**	(4,357)
Depreciation and amortization	**89,179**	89,196
Amortization of goodwill	**31,621**	31,621
Increase in prepayment for planned maintenance	**(45,301)**	–
(Increase)/decrease in consumables	**(4,102)**	17,130
(Increase)/decrease in trade and other receivables	**(82,464)**	35,273
Increase in trade and other payables	**58,628**	35,741
Decrease in provision for staff welfare	**(721)**	(5,715)
Decrease in PRC value added tax payable	**(8,855)**	(1,147)
Net cash inflow from operating activities	**121,592**	254,795

25. NOTES ON THE CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the year

	Promissory note	Loans
	$'000	*$'000*
Balance at 1 January 2000	33,596	723,451
Repayments	(13,438)	(104,833)
Balance at 31 December 2000	20,158	618,618
Balance at 1 January 2001	20,158	618,618
Repayments	(13,438)	(58,511)
Balance at 31 December 2001	6,720	560,107

26. COMMITMENTS

(a) Capital commitments outstanding at 31 December 2001 not provided for in the accounts were as follows:

	The Group		The Company	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
Contracted for	**108,012**	–	**–**	–

On 30 September 2001, Shakou JV entered into an overhaul agreement with a third party for a large-scale inspection and overhaul of the two gas turbines of Shakou Power Plant in the beginning of 2003. The total contract price is US$19.47 million (equivalent to $150.80 million). A deposit of US$5.84 million (equivalent to $45.30 million) has been paid during the year and is stated as prepayment for planned maintenance in the consolidated balance sheet.

(b) At 31 December 2001, the total future lease payments of the Group and the Company under non-cancellable operating lease in respect of office premise are payable as follows:

	2001	2000
	$'000	*$'000*
Within 1 year	**572**	612

27. CONTINGENT LIABILITIES

Shakou JV had a syndicated loan denominated in US dollar which was fully repaid on 23 March 1998. Under the loan agreement, Shakou JV is required to bear any PRC tax payable in respect of interest paid to the lenders. By a letter dated 17 March 1998, Shakou JV's former ultimate holding company, Foshan Development Company Limited, agreed to bear any tax liabilities, including penalties, if any which may arise from the interest paid on the syndicated loan. The estimated tax which may be payable is approximately $43 million, excluding penalties.

28. COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of changes in accounting policies for planned maintenance and dividends, details of which are set out in Note 2.