

Corporate Information

BOARD OF DIRECTORS

Executive directors

Sun Qiang Chang (*Chairman*)

Ou Yaping (*Vice Chairman*)

Xiang Ya Bo

Tang Yui Man, Francis

Gu Junyuan

Leng Xuesong

Independent non-executive directors

Xin Luo Lin

Lu Zhi Fang

COMPANY SECRETARY

Yam Pui Hung, Robert

PRINCIPAL BANKERS

Hang Seng Bank

The Hongkong and Shanghai Banking
Corporation Limited

Bank of China (Hong Kong)

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISORS

Woo, Kwan, Lee & Lo

WEBSITE ADDRESS

<http://www.silvernet.com.hk>

REGISTERED OFFICE

Clarendon House,

Church Street,

Hamilton HM11,

Bermuda.

PRINCIPAL OFFICE

Room 2501, 25/F.,

Vicwood Plaza,

199 Des Voeux Road,

Central, Hong Kong.

REGISTRARS (IN BERMUDA)

Butterfield Corporate Services Limited

Rosebank Centre,

14 Bermudiana Road,

Pembroke,

Bermuda.

REGISTRARS (IN HONG KONG)

Secretaries Limited

5th Floor, Wing On Centre,

111 Connaught Road Central,

Hong Kong.

Business Review

On behalf of the Board of Directors (the "Board") of SilverNet Group Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to submit to the shareholders the Group's interim report.

DISCUSSION AND ANALYSIS OF THE GROUP'S PERFORMANCE

Business Review

During the six months ended 30 June 2002, the Group recorded a consolidated turnover of HK\$70.5 million, representing a significant increase of 15 times over that of the corresponding period last year. The increase in turnover was primarily derived from the power generation business with which the Group acquired in May this year. The Group recorded HK\$5.3 million loss from its business operations for the six months ended June 30, 2002 as compared to a loss of HK\$7.3 million for the same period last year. The improvement of 28% was largely attributable to the profit contributions amounting to approximately HK\$2.6 million recognized from the power generation business.

During the period under review, the share of profits from its associated companies for the six months ended 30 June 2002 has jumped by 2.2 folds to approximately HK\$6.2 million as compared to the corresponding period last year. The improvement was primarily attributable to the exceptional performance of Xinhua in which both its revenue and net profits was doubled that of last year. On the other hand, the Group had disposed of its loss making associates during the period which effectively stopped the drainage of the Group's resources. The loss on disposal of these investee companies was approximately HK\$700,000. The Group also disposed of three investment properties at a gross consideration of approximately HK\$21.5 million and, together with the revaluation of the remaining properties portfolio, incurring a total loss of approximately HK\$4.9 million. The disposal was in line with the Group's strategy to dispose of the entire property portfolio. Apart from the operating losses incurred during the period, the management decided to clean up the remaining under-performing project investments by making further provision for impairment loss amounted to HK\$62.3 million at period end.

Loss retained for the period was HK\$72.3 million. Based on the weighted average of 3,632,245,567 shares in issue during the period, the basic loss per share was 1.99 cents as compared with 0.17 cents of the corresponding period last year.

Prospect

The Group acquired 70% interest in Shenzhen Fuhuade Electric Power Company Limited ("Fuhuade") in May 2002, a company which operates the Dapeng power plant in Shenzhen with a total output capacity of 70.8MW on-grid generation. Revenue received from the business for the years 2000 and 2001 amounted to approximately HK\$80.8 million and HK\$156.2 million respectively. And for the first six months of 2002, Fuhuade generated total revenue of HK\$70.1 million, representing a growth of 6% over that of 2001. To cope with the increasing demand of electricity power in Shenzhen, the power plant is currently undergoing an expansion plan whereby the resulting output capacity will be increased from the existing 70.8MW to 280MW. The expansion plan is scheduled to be completed by fourth quarter this year, and is expected to bring cost benefits as well as enhancing production efficiency to the power plant. The management believes that the Group will be able to achieve significantly improved results in the second half of the year.



Business Review

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2002, total assets and total liabilities of the Group were approximately HK\$879 million and HK\$586.2 million respectively, representing an increase of 2.2 times and 16 times respectively over those at 31 December 2001. The increase of total assets and liabilities represented the acquisition of the power generation business during the period.

As at 30 June 2002, the total cash and cash equivalents was approximately HK\$161.1 million. The Group had secured bank borrowings of approximately HK\$294 million, out of which approximately HK\$197.9 million was to be repayable within one year. In addition, the Group had non-current loan from a shareholder of approximately HK\$197 million, and loan from a minority shareholder of a subsidiary of approximately HK\$28.1 million.

PLEDGE OF ASSETS

Certain investment properties of the Group are used to secure loan facilities. The outstanding balance as at 30 June 2002 of these facilities was approximately HK\$6 million. In addition, the aforementioned non-current loan from a shareholder is secured by share charges against the Group interests in Fuhuade.

The Company also provided corporate guarantee for the loan facilities granted to its subsidiaries. The Company did not provide any form of guarantee for any company other than its subsidiaries.

EMPLOYEES AND REMUNERATION POLICIES

There were no material changes to the Group's employees and remuneration policies from that disclosed in the annual report of the Company for the year ended 31 December 2001.

DISCLOSURE OF INTERESTS

Interests in Shares

As at 30 June 2002, the interests of the Directors in shares of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name	Name of Company	Number of Shares		Note
		Personal Interests	Corporate Interests	
Ou Yaping	Silvernet Group Limited	—	1,089,310,445	1
Ou Yaping	Sinolink Electric Power Company Limited	90,000	—	2

Notes:

- (1) The shares are held by Sinolink Worldwide Holdings Limited with which Mr. Ou Yaping and his associates hold approximately 67.62% in the issued share capital.
- (2) Non-voting deferred shares.

Saved as disclosed above, none of the Directors or their associates held any interest in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Interests in Share Options

As at 30 June 2002, under the Company's share option scheme adopted on 26 July 1993, options to subscribe for shares in the Company have been granted to the following directors and employees:

Directors	Subscription price per share HK\$	Exercise period	Share options outstanding at 1.1.2002	Granted during the period	Lapsed during the period	Share options outstanding at 30.6.2002
Sun Qiang Chang	0.290	24.5.2000 - 23.5.2010	50,000,000	—	—	50,000,000
Gao Jian Min	0.520	10.3.2000 - 9.3.2010	50,000,000	—	(50,000,000)	—
Koo Fook Sun, Louis	0.378	4.9.2000 - 9.3.2010	50,000,000	—	(50,000,000)	—
Zhao Jian Gong	0.520	10.3.2000 - 9.3.2010	30,000,000	—	(30,000,000)	—
Wang Tianye	0.520	10.3.2000 - 9.3.2010	20,000,000	—	(20,000,000)	—
			<u>200,000,000</u>	<u>—</u>	<u>(150,000,000)</u>	<u>50,000,000</u>
Employees	0.390	26.6.2000 - 25.6.2010	1,000,000	—	—	1,000,000
	0.200	5.2.2001 - 4.2.2011	5,000,000	—	(5,000,000)	—
	0.210	26.3.2001 - 25.3.2011	2,000,000	—	(1,320,000)	680,000
			<u>8,000,000</u>	<u>—</u>	<u>(6,320,000)</u>	<u>1,680,000</u>
			<u>208,000,000</u>	<u>—</u>	<u>(156,320,000)</u>	<u>51,680,000</u>

No share option was exercised by the directors during the period.

Save as disclosed above, at no time during the six months ended 30 June 2002 was the Company, or any of its fellow subsidiaries or associated corporations a party to any arrangement to enable the Directors or any of their spouses or children under eighteen years of age to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

CHANGE OF SUBSTANTIAL SHAREHOLDERS

On 8 March 2002, Sinolink Worldwide Holdings Limited ("Sinolink") entered into an agreement with Silver Grant International Industries Limited for the acquisition of 1,089,310,445 shares of the Company. The acquisition was completed on 6 May 2002. Upon completion, Sinolink became the single largest shareholder of the Company.

As at 30 June 2002, the following shareholder was interested in 10% or more of the issued share capital of the Company as recorded in the register maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance:

Name	Number of shares	Approximate percentage of equity interests	
Sinolink Worldwide Holdings Limited	1,089,310,445	29.99%	
Ou Yaping	1,089,310,445	29.99%	Note
Atlantic Cay International Limited	770,569,106	21.21%	

Note: Mr. Ou Yaping was deemed to be interested in such shares of the Company by virtue of the interests of his associates and himself of approximately 67.62% in the issued share capital of Sinolink.

Saved as disclosed above, the Company has not been notified of any other interest held by any party representing 10% or more of the issued share capital of the Company.



Business Review

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2002.

AUDIT COMMITTEE

The Group has established an audit committee comprising Messrs. Xin Luo Lin and Lu Zhi Fang, both being independent non-executive directors of the Company.

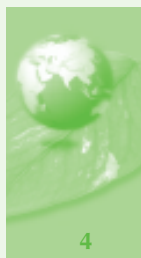
The audit committee has reviewed the unaudited interim report for the period, and discussed with management the accounting principles and practices and internal controls of the Group.

CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not at any time during the period, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, except that the non-executive directors are not appointed for specific terms, but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Company's Bye-laws.

By Order of the Board
Sun Qiang Chang
Chairman

18 September 2002, HKSAR



Condensed Consolidated Income Statement

for the six months ended 30 June 2002

	Notes	Six months ended	
		30.6.2002 (unaudited) HK\$'000	30.6.2001 (unaudited) HK\$'000
Turnover	3	70,542	4,383
Cost of sales		<u>(59,263)</u>	<u>(3,871)</u>
Gross profit		11,279	512
Other revenue		976	7,318
Loss arising from investment properties		(4,855)	—
Impairment loss of investment in unlisted securities	12	(13,300)	—
Impairment loss of investment in an option		(48,986)	—
Administrative expenses		(12,774)	(10,722)
Other operating expenses		<u>(4,746)</u>	<u>(4,439)</u>
Loss from operations		(72,406)	(7,331)
Finance costs		(2,942)	(1,178)
Share of results of associates		<u>6,208</u>	<u>2,732</u>
Loss before taxation		(69,140)	(5,777)
Taxation	5	<u>(1,721)</u>	<u>(789)</u>
Loss after taxation		(70,861)	(6,566)
Minority interests		<u>(1,483)</u>	<u>461</u>
Loss for the period		<u>(72,344)</u>	<u>(6,105)</u>
Dividends	6	<u>—</u>	<u>—</u>
Loss per share			
- basic (cents)	7	<u>(1.99)</u>	<u>(0.17)</u>



Condensed Consolidated Balance Sheet

at 30 June 2002

	Notes	30.6.2002 (unaudited) HK\$'000	31.12.2001 (audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	8	7,030	28,190
Property, plant and equipment	8	349,472	837
Goodwill	9	221,765	—
Investment in an option	10	—	48,986
Interests in associates	11	87,600	119,142
Investment in securities	12	8,050	21,350
		<u>673,917</u>	<u>218,505</u>
Current assets			
Inventories		14,492	—
Trade and other receivables	13	26,003	2,341
Loan to an associate		—	5,237
Amount due from an associate		—	5,265
Dividend receivable		3,475	3,475
Pledged bank deposit		—	7,840
Bank balances and cash		161,116	158,896
		<u>205,086</u>	<u>183,054</u>
Current liabilities			
Trade and other payables	14	28,696	16,224
Amount due to an associate		5,544	764
Tax liabilities		483	—
Loan from a minority shareholder of a subsidiary		28,054	753
Secured bank borrowings - due within one year	15	197,957	1,426
		<u>260,734</u>	<u>19,167</u>
Net current (liabilities) assets		<u>(55,648)</u>	<u>163,887</u>
		<u>618,269</u>	<u>382,392</u>
CAPITAL AND RESERVES			
Share capital	16	363,225	363,225
Reserves		(70,379)	2,553
		<u>292,846</u>	<u>365,778</u>
Minority interest		32,354	—
Non-current liabilities			
Loan from a shareholder	17	197,000	—
Secured bank borrowings - due after one year	15	96,069	16,614
		<u>618,269</u>	<u>382,392</u>

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2002

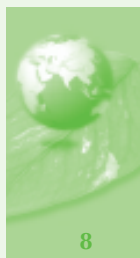
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 January 2001	363,430	388,287	(8,915)	(243,650)	499,152
Exchange difference on translation of financial statements of associates	—	—	(2,230)	—	(2,230)
Provision for impairment loss relating to an associate disposed of subsequent to the year end date	—	—	11,163	—	11,163
Net loss not recognised in the income statement	—	—	8,933	—	8,933
Premium on repurchase of shares	—	(212)	—	—	(212)
Share repurchased and cancelled	(205)	—	—	—	(205)
Net loss for the year	—	—	—	(141,890)	(141,890)
Balance at 1 January 2002	363,225	388,075	18	(385,540)	365,778
Exchange difference on translation of financial statements of associates	—	—	(588)	—	(588)
Net loss not recognised in the income statement	—	—	(588)	—	(588)
Net loss for the period	—	—	—	(72,344)	(72,344)
Balance at 30 June 2002	363,225	388,075	(570)	(457,884)	292,846
Balance at 1 January 2001	363,430	388,287	(8,915)	(243,650)	499,152
Exchange difference arising on translation of overseas operations	—	—	156	—	156
Net loss not recognised in the income statement	—	—	156	—	156
Premium on repurchase of shares	—	(212)	—	—	(212)
Share repurchased and cancelled	(205)	—	—	—	(205)
Net loss for the period	—	—	—	(6,105)	(6,105)
Balance at 30 June 2001	363,225	388,075	(8,759)	(249,755)	492,786



Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2002

	Six months ended	
	30.6.2002 (unaudited) HK\$'000	30.6.2001 (unaudited) HK\$'000
Net cash inflow from operating activities	8,195	45,609
Net cash outflow from investing activities	(107,816)	(37,245)
Net cash inflow from financing	<u>101,841</u>	<u>14,330</u>
Increase in cash and cash equivalents	2,220	22,694
Cash and bank balances at beginning of the period	<u>158,896</u>	<u>114,626</u>
Cash and bank balances at end of the period	<u><u>161,116</u></u>	<u><u>137,320</u></u>



Notes to the Condensed Financial Statements

for the six months ended 30 June 2002

1. Basis of Preparation

The condensed financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Statement of Standard Accounting Practice (the "SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

In preparing the financial statements, the directors of the Company have given careful consideration to the liquidity position of the Group. Taking into account the present available financing facilities, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

2. Principal Accounting Policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment in securities and property, plant and equipment.

In the current period, the Group has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice issued by the HKSA:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these standards has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Cash flow statements

In the current period, the Group has adopted SSAP 15 (Revised) Cash Flow Statements. Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2001.



Notes to the Condensed Financial Statements

for the six months ended 30 June 2002

3. Segment Information

For management purposes, the Group is currently organised into three operating divisions - electricity supplies, property leasing and investment holding. These divisions are the basis on which the Group reports its primary segment information.

Business segment

PERIOD ENDED 30 JUNE 2002

	Electricity supplies HK\$'000	Property leasing HK\$'000	Investment holding HK\$'000	Consolidated HK\$'000
TURNOVER	70,090	452	—	70,542
RESULT				
Segment result	5,038	(4,537)	(10,226)	(9,725)
Finance cost				(2,942)
Interest income				699
Impairment loss of investment in unlisted securities				(13,300)
Impairment loss of investment in an option				(48,986)
Share of results of associates				6,208
Unallocated corporate expenses				(1,094)
Loss before taxation				(69,140)
Taxation				(1,721)
Loss after taxation				(70,861)

PERIOD ENDED 30 JUNE 2001

	Electricity supplies HK\$'000	Property leasing HK\$'000	Investment holding HK\$'000	Consolidated HK\$'000
TURNOVER	—	151	4,232	4,383
RESULT				
Segment result	—	(129)	(10,308)	(10,437)
Finance cost				(1,178)
Interest income				3,106
Share of results of associates				2,732
Loss before taxation				(5,777)
Taxation				(789)
Loss after taxation				(6,566)

Notes to the Condensed Financial Statements

for the six months ended 30 June 2002

3. Segment Information *(continued)*

Geographical Segments

The analysis of the Group's turnover by geographical market is as follows :

	Turnover by geographical market		Contribution to loss from operations	
	1.1.2002 to 30.6.2002 HK\$'000	1.1.2001 to 30.6.2001 HK\$'000	1.1.2002 to 30.6.2002 HK\$'000	1.1.2001 to 30.6.2001 HK\$'000
The People's Republic of China ("PRC")	70,090	—	(53,527)	6,057
Hong Kong	452	4,383	(13,352)	(8,242)
Korea	—	—	(18)	(5,520)
	<u>70,542</u>	<u>4,383</u>	<u>(66,897)</u>	<u>(7,705)</u>
Interest (net)			<u>(2,243)</u>	<u>1,928</u>
Loss before taxation			<u><u>(69,140)</u></u>	<u><u>(5,777)</u></u>

4. Depreciation and Amortisation

During the period, depreciation of HK\$2,981,000 (2001: HK\$223,000) was charged in respect of the Group's property, plant and equipment and amortisation of HK\$1,863,000 (2001: Nil) and HK\$1,956,000 (2001: HK\$4,439,000) was charged in respect of the Group's goodwill on subsidiaries and associates respectively.

5. Taxation

The taxation charge for the period represented the share of taxation other than in Hong Kong attributable to associates calculated at rates prevailing in the relevant jurisdiction.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred tax losses for both periods.

6. Dividends

The Directors do not recommend the payment of an interim dividend (2001: Nil).



Notes to the Condensed Financial Statements

for the six months ended 30 June 2002

7. Loss per Share

The calculation of the basic loss per share is based on the following data:

	Six months ended	
	30.6.2002 HK\$'000	30.6.2001 HK\$'000
Net loss for the purposes of basic loss per share	<u>72,344</u>	<u>6,105</u>
	Number of shares	
Weighted average number of shares for the purposes of basic loss per share	<u>3,632,245,567</u>	<u>3,632,428,440</u>

No diluted loss per share has been calculated for the period as the exercise of the share options would result in a decrease in the loss per share.

8. Movements in Investment Properties and Property, Plant and Equipment

	Investment properties HK\$'000	Property, plant and equipment HK\$'000
Cost or valuation		
At 1 January 2002	28,190	1,433
Acquired on acquisition of subsidiary	—	284,886
Additions	—	66,730
Revaluation	(2,960)	—
Disposals	(18,200)	(15)
At 30 June 2002	<u>7,030</u>	<u>353,034</u>
Depreciation		
At 1 January 2002	—	596
Provided for the period	—	2,981
Eliminated on disposals	—	(15)
At 30 June 2002	<u>—</u>	<u>3,562</u>
Net book value		
At 30 June 2002	<u>7,030</u>	<u>349,472</u>
At 31 December 2001	<u>28,190</u>	<u>837</u>

The Group's investment properties were revalued by the directors at 30 June 2002. The resulting revaluation deficit of HK\$2,960,000 has been charged to the income statement.

Notes to the Condensed Financial Statements

for the six months ended 30 June 2002

9. Goodwill

30.6.2002
HK\$'000

Cost

At 1 January 2002	—
Arising on acquisition during the period	223,628
At 30 June 2002	223,628

Amortisation

At 1 January 2002	—
Charge for the period	1,863
At 30 June 2002	1,863

Net book value

At 30 June 2002	221,765
At 31 December 2001	—

The goodwill represents principally premium arising on acquisition of subsidiaries and is amortised over a period of twenty years.

10. Investment in an Option

Investment in an option represents the right to purchase 49% equity interest in a company which is a digital network provider and data centre operator in Beijing. The Company's directors have reviewed the underlying operation and are of the opinion that the value of this option has been impaired during the interim period.

11. Interests in Associates

During the interim period, the Group had disposed of an associate with the net asset value of approximately HK\$34,763,000 for a consideration of HK\$34,045,000 which resulted in a loss on disposal of approximately HK\$718,000.

12. Investments in Securities

During the interim period, the Company's directors have reviewed the underlying operations of the unlisted securities and are of the opinion that the value of these investments have been impaired by an amount of HK\$13,300,000 due to the continued losses of the investees.



Notes to the Condensed Financial Statements

for the six months ended 30 June 2002

13. Trade and Other Receivables

The Group allows an average credit period of 30 days to its trade customers.

Included in trade and other receivables are trade receivables totalling HK\$18,023,000 (2001: Nil), the aged analysis of which is as follows:

Aged:	30.6.2002 HK\$'000	31.12.2001 HK\$'000
0 to 90 days	18,023	—

14. Trade and Other Payables

Included in trade and other payables are trade payables of HK\$5,703,000 (2001: Nil), the aged analysis of which is as follows:

Aged:	30.6.2002 HK\$'000	31.12.2001 HK\$'000
0 to 90 days	5,703	—

15. Borrowings

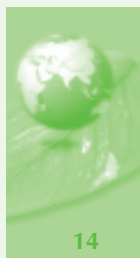
During the period, the Group obtained new bank loans in the amount of HK\$52,002,000. The loans bear interest at market rates and are repayable in one to four years. The proceeds were used to finance the acquisition of property, plant and equipment.

16. Share Capital

	Number of shares	Share Capital HK\$'000
Shares of HK\$0.10 each		
Authorised:		
At 30 June 2002 and 31 December 2001	6,000,000,000	600,000
Issued and fully paid:		
At 30 June 2002 and 31 December 2001	3,632,245,567	363,225

17. Loan from a shareholder

The amount is secured by a share charge over the 50,001 shares of US\$1 each in Sinolink Industrial Limited, interest at a rate of 3.0% per annum and had no fixed repayment term.



Notes to the Condensed Financial Statements

for the six months ended 30 June 2002

18. Operating Lease Arrangements

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

	30.6.2002 HK\$'000	31.12.2001 HK\$'000
Within one year	6,397	1,590
In the second fifth year inclusive	17,308	662
	<u>23,705</u>	<u>2,252</u>

Operating lease payments represent rentals payable by the Group for its office property and warehouse. Leases are negotiated for a term up to five years.

19. Related Parties Transactions

In June 2002, Shenzhen Fuhuade Electric Power Co. Ltd. ("Fuhuade") entered into a loan agreement with Bank of China, Shenzhen Branch for an amount of RMB230 million. The loan is repayable for a term of six years (the "Term"). Fuhuade is a subsidiary of the Group which holds 70% of its equity interests and the remaining 30% is held by Shenzhen Sinolink Enterprises Limited ("Shenzhen Sinolink"), a subsidiary of Sinolink Worldwide Holdings Limited who is also the substantial shareholder of the Company. Shenzhen Sinolink is therefore a related party of the Company.

As a security of the loan, the Company provided several guarantees of 70% of the loan, being RMB161 million. The remaining 30% is guaranteed by Shenzhen Sinolink, which is also in proportion to its percentage of interests in Fuhuade. The guarantee is for the period of the Term plus two years thereafter.

20. Contingent Liabilities

At 30 June 2002, the Group does not have any contingent liabilities (31.12.2001: Nil).

21. Capital Commitments

	30.6.2002 HK\$'000	31.12.2001 HK\$'000
Commitments in respect of properties under development :		
- authorized but not contracted for	100,913	—
- contracted for but not provided for	218,988	—
	<u>319,901</u>	<u>—</u>



Notes to the Condensed Financial Statements

for the six months ended 30 June 2002

22. Pledge of Assets

	30.6.2002 HK\$'000	31.12.2001 HK\$'000
To secure the general banking facilities granted to the Group:		
Investment properties	6,580	27,490
Bank deposits	—	7,840
	<u>6,580</u>	<u>35,330</u>

23. Acquisition of a Subsidiary

On 6 May 2002, the Group acquired 100% of the issued share capital of Sinolink Industrial Limited.

The effect of the acquisition is summarized as follows:

	HK\$'000
Net liabilities acquired	(1,130)
Goodwill arising on acquisition	223,628
Total consideration	<u>222,498</u>
Satisfied by :	
Cash consideration	163,400
Deferred consideration	197,000
Debt assignment	(137,902)
	<u>222,498</u>
Net cash outflow arising on acquisition :	
Cash consideration	163,400
Bank balances and cash acquired	(83,479)
	<u>79,921</u>

According to the Sale and Purchase Agreement, the vendor guarantee the Group approximately HK\$135,000,000 profit in respect of a subsidiary of Sinolink Industrial Limited, Fuhuade Electric Power Co., Ltd. for the two years ending 31 December 2003.

The subsidiary acquired during the period contributed HK\$70,090,000 to the Group's turnover, and HK\$2,601,000 of profit to the Group's result.

