

Notes to the Financial Statements

For the year ended 31 December 2002

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 and natural gas (“Gas fuel”).

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statement
SSAP 33	Discounting operation
SSAP 34	Employee benefits

The adoption of the above 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/investing/financing cash flows as appropriate. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

Notes to the Financial Statements

For the year ended 31 December 2002

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

Discontinuing Operations

SSAP 33 Discontinuing Operations is concerned with the presentation of financial information regarding discontinuing operations and replaces the requirements previously included in SSAP 2 Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies. Under SSAP 33, financial statement amounts relating to the discontinuing operation are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is announced. The adoption of SSAP 33 has resulted in the identification of the Group's electricity supply operations as a discontinuing operation in the current period, details of which are disclosed in note 10.

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

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

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

Goodwill arising on acquisitions on or after 1 January 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of a subsidiary is presented separately in the balance sheet. Goodwill arising on the acquisition of an associate is included in the interests in associates in the balance sheet.

Negative goodwill

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

Negative goodwill arising on acquisitions is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

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

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Recognition of revenue

Development properties

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

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

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

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For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of revenue (Continued)

Sales of electricity supply

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

Gas pipelines construction revenue

Gas pipelines construction revenue is recognised when the outcome of a gas connection contract can be estimated reliably and the stage of completion at the balance sheet date can be measured reliably. Revenue from gas connection contracts is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. When the outcome of a gas connection contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

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 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 services

Income from property management services 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.

Dividend income

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

Notes to the Financial Statements

For the year ended 31 December 2002

3. 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

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

A joint venture is treated as a subsidiary if, under the joint venture control, the Group had the power to govern the financial and operating policies of the joint venture so as to obtain benefits from its activities.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus goodwill on acquisition less any identified impairment loss.

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 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment securities

Investments 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 values, with unrealised gains and losses included in net profit or loss for the year.

Property, plant and equipment

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Other plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Notes to the Financial Statements

For the year ended 31 December 2002

3. 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 of 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	3% to 10%
Plant and machinery	6% to 30%
Furniture, fixtures and equipment	18% to 40%
Motor vehicles	6% to 30%
Gas pipelines	3%

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

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 work are transferred to property, plant and equipment.

Impairment

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

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

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Other profits and losses arising on exchange are dealt with in the income statement.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost 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.

Construction contracts

When the outcome of a construction contract can be estimated reliably and the stage of contract completion at the balance sheet date can be measured reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as contract revenue is recognised.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contracts costs will exceed contract revenue, the expected loss is recognised an expense immediately.

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Convertible note

A convertible note is regarded as a liability until conversion occurs and the finance costs recognised in the income statement in respect of the convertible note are calculated so as to produce a constant periodic rate of charge on the remaining balance of the convertible note for each accounting period.

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 retirement benefit costs charged in the income statement represents the contributions payable in respect of the current year to the Group's defined contribution scheme and Mandatory Provident Fund Scheme in Hong Kong and state – sponsored retirement plan for its employees in the PRC.

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.

Notes to the Financial Statements

For the year ended 31 December 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

(A) Business segments

For management purposes, the Group is currently organised into three operating divisions – property development, gas fuel business and others. These divisions are the basis on which the Group reports its primary segment information. Principal activities are as follows:

- | | |
|----------------------|---|
| Property development | – sales of completed properties/development properties |
| Gas fuel business | – wholesaling and retailing of gas fuel and the construction of gas pipelines |
| Others | – decoration, interior design work and property management services |

In prior years, the Group was also involved in the electricity supply. That operation was discontinued from 6 May 2002 (see note 10).

Notes to the Financial Statements

For the year ended 31 December 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(A) Business segments (Continued)

- (i) Segment information about these businesses for the year ended 31 December 2002 is presented below:

INCOME STATEMENT

	Continuing operations		Discontinuing operation		Eliminations	Consolidated
	Property development	Gas fuel business	Others	Electricity supply		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER						
External sales	311,997	1,150,322	22,613	40,474	-	1,525,406
Inter-segment sales	-	-	9,542	-	(9,542)	-
	<u>311,997</u>	<u>1,150,322</u>	<u>32,155</u>	<u>40,474</u>	<u>(9,542)</u>	<u>1,525,406</u>
Inter-segment sales are charged at prevailing market prices.						
RESULT						
Segment result	<u>31,556</u>	<u>184,129</u>	<u>4,998</u>	<u>2,180</u>	-	222,863
Other operating income						9,588
Unallocated corporate expenses						<u>(21,301)</u>
Profit from operations						211,150
Interest income						11,336
Finance costs						<u>(4,350)</u>
Gain on disposal of subsidiaries	-	111,860	-	84,048	-	195,908
Loss on disposal of an associate	(234)	-	-	-	-	<u>(234)</u>
Amortisation of goodwill of an associate	-	-	(1,816)	-	-	<u>(1,816)</u>
Share of results of associates	2,306	-	(25,055)	-	-	<u>(22,749)</u>
Profit before taxation						389,245
Taxation						<u>(16,068)</u>
Profit before minority interests						373,177
Minority interests						<u>(78,748)</u>
Net profit for the year						<u>294,429</u>

Notes to the Financial Statements

For the year ended 31 December 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(A) Business segments (Continued)

BALANCE SHEET

	Continuing operations			Discontinuing operation	Consolidated
	Property development	Gas fuel business	Others	Electricity supply	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Segment assets	1,876,227	735,540	316,133	-	2,927,900
Interest in associates	36,303	-	93,579	-	129,882
Unallocated corporate assets					307,264
Consolidated total assets					<u>3,365,046</u>
LIABILITIES					
Segment liabilities	187,671	136,900	10,203	-	334,774
Unallocated corporate liabilities					996,322
Consolidated total liabilities					<u>1,331,096</u>

OTHER INFORMATION

	Continuing operations			Discontinuing operation	Consolidated
	Property development	Gas fuel business	Others	Electricity supply	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	5,264	175,842	9,391	82,800	273,297
Goodwill additions	-	2,461	54,482	-	56,943
Depreciation and amortisation	<u>9,520</u>	<u>19,914</u>	<u>3,752</u>	<u>1,577</u>	<u>34,763</u>

Notes to the Financial Statements

For the year ended 31 December 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(A) Business segments (Continued)

(ii) Segment information about these businesses for the year ended 31 December 2001 is presented below:

INCOME STATEMENT

	Continuing operations		Discontinuing operation		Eliminations HK\$'000	Consolidated HK\$'000
	Property development HK\$'000	Gas fuel business HK\$'000	Others HK\$'000	Electricity supply HK\$'000		
TURNOVER						
External sales	335,898	1,008,335	26,916	156,156	-	1,527,305
Inter-segment sales	-	-	54,722	-	(54,722)	-
	<u>335,898</u>	<u>1,008,335</u>	<u>81,638</u>	<u>156,156</u>	<u>(54,722)</u>	<u>1,527,305</u>

Inter-segment sales are charged at prevailing market prices.

RESULT

Segment result	<u>46,443</u>	<u>64,840</u>	<u>3,771</u>	<u>10,993</u>	<u>-</u>	126,047
Other operating income						10,117
Unallocated corporate expenses						<u>(12,909)</u>
Profit from operations						123,255
Interest income						22,733
Finance costs						(6,844)
Gain on disposal of subsidiaries	-	44,466	-	-	-	44,466
Gain on disposal of an associate	422	-	-	-	-	422
Share of results of associates	(360)	-	-	-	-	<u>(360)</u>
Profit before taxation						183,672
Taxation						<u>(10,499)</u>
Profit before minority interests						173,173
Minority interest						<u>(56,202)</u>
Net profit for the year						<u>116,971</u>

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For the year ended 31 December 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(A) Business segments (Continued)

BALANCE SHEET

	Continuing operations			Discontinuing	Consolidated
	Property development	Gas fuel business	Others	operation Electricity supply	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Segment assets	1,885,874	529,972	182,247	239,147	2,837,240
Interest in associates	5,858	-	-	564	6,422
Unallocated corporate assets					122,817
Consolidated total assets					<u>2,966,479</u>
LIABILITIES					
Segment liabilities	227,065	113,447	7,979	41,509	390,000
Unallocated corporate liabilities					931,962
Consolidated total liabilities					<u>1,321,962</u>

OTHER INFORMATION

	Continuing operations			Discontinuing	Consolidated
	Property development	Gas fuel business	Others	operation Electricity supply	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	16,473	70,649	1,080	33,697	121,899
Goodwill additions	809	21,958	-	-	22,767
Depreciation and amortisation	10,348	16,355	996	16,851	44,550
Unrealised holding loss on other investments	-	-	2,317	-	2,317
Deficit on revaluation of property, plant and equipment	-	1,851	-	-	1,851

Notes to the Financial Statements

For the year ended 31 December 2002

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(B) Geographical segments

As over 90% of the consolidated turnover, trading results and assets for the year is derived from or located in the PRC, an analysis of the consolidated turnover, trading results and assets by geographical location is not presented.

5. OTHER OPERATING INCOME

	2002 HK\$'000	2001 HK\$'000
Dividend income	360	–
Gain on disposal of investment in securities	592	1,616
Gain on disposal of property, plant and equipment	–	541
Insurance claimed	–	1,957
Net exchange gain	918	316
Release of negative goodwill	1,855	145
Rental income under operating leases	2,195	2,216
Unrealised holding gain on investment in securities	623	–
Sundry	3,074	3,326
	<u>9,617</u>	<u>10,117</u>

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6. PROFIT FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Profit from operations is arrived at after charging:		
Auditors' remuneration		
Provided for the year	2,040	1,981
(Over)underprovision in prior year	(332)	559
	<u>1,708</u>	<u>2,540</u>
Depreciation	31,730	43,852
Operating lease rentals	5,397	7,166
Loss on disposal of property, plant and equipment	2,203	-
Unrealised holding loss on investments in securities	-	2,317
Realised holding loss on investments in securities	29	-
Staff costs including directors' remuneration	78,986	68,218
Amortisation of goodwill (included in administrative expenses)	1,217	698
Deficit on revaluation of property, plant and equipment	-	1,851
	<u><u>119,963</u></u>	<u><u>128,673</u></u>

7. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

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

	2002 HK\$'000	2001 HK\$'000
Fees	238	150
Salaries and other emoluments	8,417	7,502
Contributions to retirement benefits scheme	125	111
Discretionary bonuses	700	550
	<u>9,480</u>	<u>8,313</u>

The amounts disclosed above include directors' fees of HK\$237,500 (2001: HK\$150,000) payable to independent non-executive directors. No other emoluments were payable to independent non-executive directors.

Notes to the Financial Statements

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7. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

The emoluments of the directors were within the following bands:

Emolument band (Hong Kong Dollars)	Number of individuals	
	2002	2001
\$Nil – \$1,000,000	4	3
\$1,000,001 – \$1,500,000	–	3
\$1,500,001 – \$2,000,000	3	–
\$3,500,001 – \$4,000,000	–	1
\$4,000,001 – \$4,500,000	<u>1</u>	<u>–</u>

Of the five individuals with the highest emoluments in the Group, four (2001: four) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining individual were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and allowances	1,171	1,353
Contributions to retirement benefits scheme	<u>–</u>	<u>12</u>
	<u>1,171</u>	<u>1,365</u>

His emoluments were within the following bands:

Emolument band	Number of individuals	
	2002	2001
\$1,000,001 – \$1,500,000	<u>1</u>	<u>1</u>

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8. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on		
Bank loans and other borrowing wholly repayable		
within five years	41,522	16,969
Convertible bonds	1,248	2,759
	<u>42,770</u>	<u>19,728</u>
Total borrowing cost	42,770	19,728
Less: Amount capitalised to properties under development for sale	(38,949)	(13,191)
	<u>3,821</u>	<u>6,537</u>
Bank charges	244	307
Handling charge	285	-
	<u>4,350</u>	<u>6,844</u>

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.6% (2001: 5.4%) to expenditure on qualifying assets.

9. GAIN ON DISPOSAL OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Gain on partial disposal of interest in a subsidiary	111,860	44,183
Gain on disposal of a subsidiary (see note 30)	84,048	283
	<u>195,908</u>	<u>44,466</u>

Gain on partial disposal of interest in a subsidiary represented the gain arising on disposal of shares of Panva Gas Holdings Limited ("Panva Gas") to a third party.

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10. DISCONTINUING OPERATIONS

On 8 March 2002, the Group entered into a sales agreement to dispose of Sinolink Industrial Limited (“Sinolink Industrial”), which carried out all of the Group’s electricity supply operations. The disposal was completed on 6 May 2002, on which date control of Sinolink Industrial was passed to the acquirer.

The results of the electricity supply operations for the period from 1 January 2002 to 6 May 2002, which have been included in the consolidated financial statements were as follows:

	Period ended 6.5.2002 HK\$'000	Year ended 31.12.2001 HK\$'000
Turnover	40,474	156,156
Cost of sales	(35,241)	(135,634)
Other operating income	179	2,793
Other operating expenses	(3,053)	(9,529)
Finance costs	(1,144)	(3,512)
Profit from operations	1,215	10,274
Share of result of an associate	–	(7)
Profit before taxation	1,215	10,267
Taxation	3	(486)
Profit after taxation	1,218	9,781

During the year, Sinolink Industrial paid HK\$35,213,000 (2001: contributed HK\$22,034,000) to the Group’s net operating cash flows, paid HK\$85,542,000 (2001: HK\$33,585,000) in respect of investing activities and contributed HK\$113,991,000 (2001: HK\$28,360,000) in respect of financing activities.

Notes to the Financial Statements

For the year ended 31 December 2002

10. DISCONTINUING OPERATIONS (Continued)

The carrying amounts of the assets and liabilities of Sinolink Industrial at the date of disposal, and at 31 December 2002, are disclosed as follows:

	6.5.2002 HK\$'000	31.12.2001 HK\$'000
Total assets	<u>397,133</u>	<u>234,658</u>
Total liabilities	<u>(398,263)</u>	<u>(232,309)</u>

A gain of HK\$84 million arose on the disposal of Sinolink Industrial, being the proceeds of disposal less the carrying amount of the subsidiary's net assets and attributable goodwill (see note 30). No tax charge or credit arose from the transaction.

11. TAXATION

	2002 HK\$'000	2001 HK\$'000
The tax charge comprises:		
Profit for the year		
PRC excluding Hong Kong	<u>16,068</u>	<u>10,499</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% 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, which ranged from 15% to 33%.

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.

Notes to the Financial Statements

For the year ended 31 December 2002

12. DIVIDENDS

The Company paid an interim dividend of HK\$0.03 per share (2001: HK\$0.03) amounting to HK\$55,483,110 (2001: HK\$45,600,000).

On 12 April 2001, the Company distributed a special interim dividend of HK\$15,039,000 by way of dividend in specie of 15,200,000 shares of Panva Gas ("Panva Shares") in the proportion of 20 Panva Shares for every 2,000 shares of the Company held.

13. EARNINGS PER SHARE

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

	2002 HK\$'000	2001 HK\$'000
Earnings for the purposes of basic earnings per share	294,429	116,971
Effect of dilutive potential shares:		
Interest on convertible note	824	2,759
Earnings for the purposes of diluted earnings per share	<u>295,253</u>	<u>119,730</u>
Weighted average number of shares for the purposes of basic earnings per share	1,820,292,000	1,672,000,000
Effect of dilutive potential ordinary shares:		
Options	15,133,000	-
Convertible notes	81,450,000	134,592,000
Weighted average number of shares for the purposes of diluted earnings per share	<u>1,916,875,000</u>	<u>1,806,592,000</u>

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share warrants as the exercise price of those warrants is higher than the average market price for the Company's shares for year 2002.

The computation of diluted earning per share in 2001 does not assume the exercise of the Company's outstanding share options as the average share price of those options was lower than the exercise price for the Company's shares for year 2001.

Notes to the Financial Statements

For the year ended 31 December 2002

14. 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	Gas pipelines HK\$'000	Total HK\$'000
THE GROUP							
COST OR VALUATION							
At 1 January 2002	217,374	57,089	278,416	32,960	27,561	-	613,400
Acquisition of a subsidiary	4,296	69,604	3,339	15	127	348	77,729
Disposal of a subsidiary	(90,000)	(119,133)	(136,412)	(3,130)	(1,100)	-	(349,775)
Additions	22,273	146,932	19,177	587	6,599	-	195,568
Disposals	(13,623)	(1,790)	(1,011)	(840)	(854)	-	(18,118)
Reclassification	-	-	(17,036)	-	-	17,036	-
Transfer	-	(140,463)	836	-	-	139,627	-
At 31 December 2002	140,320	12,239	147,309	29,592	32,333	157,011	518,804
Comprising:							
At cost	-	12,239	147,309	29,592	32,333	157,011	378,484
At valuation 2001	140,320	-	-	-	-	-	140,320
	140,320	12,239	147,309	29,592	32,333	157,011	518,804
DEPRECIATION							
At 1 January 2002	26,100	-	82,526	16,200	7,701	-	132,527
Disposal of subsidiary	-	-	(61,373)	(2,947)	(569)	-	(64,889)
Provided for the year	6,116	-	10,324	5,336	7,211	2,743	31,730
Eliminated on disposals	(11,707)	-	(255)	(677)	(600)	-	(13,239)
Reclassification	-	-	(2,370)	-	-	2,370	-
At 31 December 2002	20,509	-	28,852	17,912	13,743	5,113	86,129
NET BOOK VALUES							
At 31 December 2002	119,811	12,239	118,457	11,680	18,590	151,898	432,675
At 31 December 2001	191,274	57,089	195,890	16,760	19,860	-	480,873

Notes to the Financial Statements

For the year ended 31 December 2002

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The leasehold land and buildings of the Group in the PRC were valued at 31 January 2001 by Messrs. DTZ Debenham Tie Leung Limited, Chartered Surveyors, on an opened market value basis. Messrs. Diz Debenham Tie Leung Limited are not connected with the Group.

No professional valuation of the leasehold land and buildings was carried out at 31 December 2002 as, in the opinion of the directors, the carrying value of the leasehold land and buildings was not materially different from the open market value at 31 January 2001.

If the leasehold land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation of HK\$66,322,000 (2001: HK\$169,057,000).

The net book value of land and buildings includes an amount of approximately HK\$Nil (2001: HK\$9,795,000) in respect of assets rented out under operating lease.

The Group had pledged property, plant and equipment with a net book value of approximately HK\$8,135,000 (2001: HK\$8,337,000) to secure banking facilities granted to the Group (note 39).

	Furniture, fixtures and equipment HK\$'000
THE COMPANY	
COST	
At 1 January 2002	815
Additions	1,594
	<hr/>
At 31 December 2002	2,409
	<hr/>
DEPRECIATION	
At 1 January 2002	455
Provided for the year	595
	<hr/>
	1,050
	<hr/>
NET BOOK VALUE	
At 31 December 2002	1,359
	<hr/> <hr/>
At 31 December 2001	360
	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 31 December 2002

15. GOODWILL

	THE GROUP 2002 HK\$'000
COST	
At 1 January 2002	22,767
Arising on acquisition during the year	2,461
Disposal during the year	<u>(709)</u>
At 31 December 2002	<u>24,519</u>
AMORTISATION	
At 1 January 2002	698
Provided for the year	1,217
Eliminated on disposal	<u>(55)</u>
At 31 December 2002	<u>1,860</u>
NET BOOK VALUE	
At 31 December 2002	<u><u>22,659</u></u>
At 31 December 2001	<u><u>22,069</u></u>

The amortisation period adopted for goodwill is 20 years.

Notes to the Financial Statements

For the year ended 31 December 2002

16. NEGATIVE GOODWILL

	THE GROUP 2002 HK\$'000
GROSS AMOUNT	
At 1 January 2002	(19,100)
Arising on acquisition during the year	<u>(9,485)</u>
At 31 December 2002	<u>(28,585)</u>
RELEASED TO INCOME	
At 1 January 2002	145
Released to income in the year	<u>1,855</u>
At 31 December 2002	<u>2,000</u>
CARRYING AMOUNT	
At 31 December 2002	<u><u>(26,585)</u></u>
At 31 December 2001	<u><u>(18,955)</u></u>

The negative goodwill arose on the Group's acquisition of an additional interest in Shenzhen Fuhuade Electric Power Co., Ltd. in November 2001 and acquisition of Weiyuan Panva Gas Co., Ltd. ("Weiyuan Panva") in September 2002 amounting to HK\$19,100,000 and HK\$9,485,000 respectively being the excess of the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary at the date of acquisition over the cost of acquisition. The negative goodwill is being released to income on a straight line basis of 11 years and 30 years respectively, the remaining weighted average useful life of the depreciable assets acquired.

Notes to the Financial Statements

For the year ended 31 December 2002

17. INVESTMENTS IN SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	670,174	670,174
Amounts due from subsidiaries	208,159	381,554
	<u>878,333</u>	<u>1,051,728</u>

The amounts due from subsidiaries are interest-free, unsecured and have no fixed term of repayment. In the opinion of the directors, the amount will not be repayable within one year and therefore classified as non-current assets.

Particulars of the subsidiaries as at 31 December 2002 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				
I-Happy Profit Limited	BVI	1 share of US\$1 each	100%	Investment holding
Kenson Investment Limited	BVI	1 share of US\$1 each	100%	Investment holding
Sinolink Progressive Limited	BVI	47,207 shares of US\$1 each	100%	Investment holding
Supreme All Investments Limited	BVI	1 share of US\$1 each	100%	Investment holding
Smart Orient Investments Limited	BVI	1 share of US\$1 each	100%	Investment holding

Notes to the Financial Statements

For the year ended 31 December 2002

17. 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				
China Pan River Group Ltd.	BVI	1 share of US\$1 each	100%	Investment holding
Chenzhou Pan River Gas Industry Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB9,000,000	55%	Wholesaling and retailing of LP Gas
China Overlink Holdings Co., Limited	BVI	1 share of US\$1 each	100%	Investment holding
Chuzhou YPC & Panva Energy Co., Limited	PRC – Sino-foreign equity joint venture	RMB1,000,000	60%	Wholesaling and retailing of LP Gas
Firstline Investment Limited	BVI	1 share of US\$1 each	100%	Investment holding
Future Perfect Properties Limited	BVI	1 share of US\$1 each	100%	Property 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 LP Gas

Notes to the Financial Statements

For the year ended 31 December 2002

17. 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)				
Nanjing Panva Pipeline Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	US\$1,010,000	100%	The provision of LP Gas and related services and gas pipeline construction
Nanling Pan River LPG Co., Ltd.	PRC – Limited liability company	RMB2,000,000	55%	Wholesaling and retailing of LP Gas
Ocean Diamond Limited	BVI	50,000 shares of US\$1 each	100%	Investment holding
Panriver Investments Company Limited	PRC – Limited liability company	US\$30,000,000 (Note 1)	100%	Investment holding
Panvs Gas Holdings Limited	BVI	605,076,000 shares of HK\$0.1 each	70.95%	Investment holding
Panva Gas (Yunnan) Co., Ltd.	PRC – Limited liability company	RMB58,840,000	56.94%	Wholesaling and retailing of LP Gas
Pan River Enterprises (Changde) Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB6,000,000	85%	Wholesaling and retailing of LP Gas

Notes to the Financial Statements

For the year ended 31 December 2002

17. 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 (Changsha) Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB40,000,000	60%	Wholesaling and retailing of LP Gas
Pan River Enterprises (Hengyang) Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB6,000,000	84%	Wholesaling and retailing of LP Gas
Pan River Enterprises (Wuhu) Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB32,000,000	55%	Wholesaling and retailing of LP Gas
Pan River Gas (China Southwest) Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB16,000,000	50.10%	Wholesaling and retailing of LP Gas
Pengxi Panva Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB3,590,000	90%	The provision of natural gas and related services and gas pipeline construction
Shenzhen China Overseas-Sinolink Property Management Co., Ltd.	PRC – Limited liability company	RMB1,500,000	100%	Property management

Notes to the Financial Statements

For the year ended 31 December 2002

17. 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)				
Shenzhen Mangrove West Coast Property Development Co. Ltd.	PRC – Sino-foreign equity joint venture	RMB10,000,000	100%	Property development
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	85%	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
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%	Investment holding
Sinolink LPG Investment Limited	BVI	1 share of US\$1 each	100%	Investment holding

Notes to the Financial Statements

For the year ended 31 December 2002

17. 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 Petrochemical Investment Limited	BVI	1 share of US\$1 each	100%	Investment holding
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
Weiyuan Panva Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB5,000,000	99.5%	The provision of natural gas and related services and gas pipeline construction
Wuhu Pan River Jiangbei Enterprises Co., Ltd. company	PRC – Limited liability	RMB500,000	51%	Wholesaling and retailing of LP Gas
Xiangtan Pan River Energy Industry Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB10,000,000	55%	Wholesaling and retailing of LP Gas
Yangzi Petrochemical Baijiang Energy Resources Co., Ltd.	PRC – Sino-foreign equity joint venture	US\$7,230,000	50% (Note 2)	Wholesaling and retailing of LP Gas

Notes to the Financial Statements

For the year ended 31 December 2002

17. 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)				
Yiyang Pan River Enterprises Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB5,000,000	60%	Wholesaling and retailing of LP Gas
Yongzhou Pan River Enterprises Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB5,000,000	60%	Wholesaling and retailing of LP Gas
Ziyang Panva Gas Co., Ltd. (formerly known as Ziyang Gas Company)	PRC – Sino-foreign equity joint venture construction	RMB9,890,000	90%	The provision of natural gas and related services and gas pipeline
Zunyi Pan River Gas Co., Ltd.	PRC – Limited company	RMB4,200,000	50.10%	Wholesaling and retailing of LP Gas

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 an outstanding registered capital contribution of US\$9,000,000 which needs to be paid up by China Pan River Group Ltd. by 9 March 2003 or on such later date as approved by the relevant PRC governing authority. The deadline is automatically extended 1 month to 9 April 2003 by concession. Panriver Investments Company Limited is applying to further extend the deadline to 10 June 2003.

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 issued any debt securities at 31 December 2002 or at any time during the year.

Notes to the Financial Statements

For the year ended 31 December 2002

18. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Listed shares at cost	-	-	163,563	-
Share of net (liabilities) assets	39,005	(2,082)	-	-
Amounts due from associates	10,908	8,504	-	-
Loan to an associate	27,303	-	-	-
Goodwill on acquisition of an associate	52,666	-	-	-
	<u>129,882</u>	<u>6,422</u>	<u>163,563</u>	<u>-</u>
Market value of listed shares			<u>83,542</u>	<u>-</u>

The amounts due from associates are interest free and unsecured. The amount is classified under non-current assets as the directors are of the opinion that they will not be repaid in the forthcoming year.

The goodwill on acquisition of associate arose on the acquisition of Enerchina Holdings Limited in 2002. The goodwill of HK\$54,482,000 had been arisen on the acquisition. The amortisation period adopted for goodwill is 20 years. The amount released to income in the current year amounting to HK\$1,816,000 has been included in the consolidated income statement.

Notes to the Financial Statements

For the year ended 31 December 2002

18. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2002, 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
Enerchina Holdings Limited ("Enerchina")	Bermuda	3,632,245,567 shares of HK\$0.01 each	29.99%	Investment holding
Shenzhen Fuhuade Electric Power Co., Ltd. ("Fuhuade")	PRC - Foreign equity joint venture	RMB100,000,000	59.99% (Note 1)	Electricity supply

Note 1: The percentage of equity interest attributable to the Group is 44.99%.

Notes to the Financial Statements

For the year ended 31 December 2002

19. INVESTMENT IN SECURITIES

	Held to maturity debt securities		Investment securities		Other investments		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP								
Equity securities								
Listed - Hong Kong	-	-	-	23,214	31,455	6,992	31,455	30,206
Unlisted	-	-	1,949	594	-	-	1,949	594
	<u>-</u>	<u>-</u>	<u>1,949</u>	<u>23,808</u>	<u>31,455</u>	<u>6,992</u>	<u>33,404</u>	<u>30,800</u>
Debt securities								
Unlisted	<u>116,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,000</u>	<u>-</u>
Total								
Listed - Hong Kong	-	-	-	23,214	31,455	6,992	31,455	30,206
Unlisted	<u>116,000</u>	<u>-</u>	<u>1,949</u>	<u>594</u>	<u>-</u>	<u>-</u>	<u>117,949</u>	<u>594</u>
	<u>116,000</u>	<u>-</u>	<u>1,949</u>	<u>23,808</u>	<u>31,455</u>	<u>6,992</u>	<u>149,404</u>	<u>30,800</u>
Market value of listed securities	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,753</u>	<u>31,455</u>	<u>6,992</u>	<u>31,455</u>	<u>18,745</u>
Carrying amount analysed for reporting purposes as:								
Non-current	116,000	-	1,949	23,808	-	-	117,949	23,808
Current	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,455</u>	<u>6,992</u>	<u>31,455</u>	<u>6,992</u>
	<u>116,000</u>	<u>-</u>	<u>1,949</u>	<u>23,808</u>	<u>31,455</u>	<u>6,992</u>	<u>149,404</u>	<u>30,800</u>

Notes to the Financial Statements

For the year ended 31 December 2002

19. INVESTMENT IN SECURITIES (Continued)

	Held to maturity debt securities		Investment securities		Total	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE COMPANY						
Debt securities						
Unlisted	116,000	-	-	-	116,000	-
Equity securities						
Listed – Hong Kong	-	-	5,512	6,641	5,512	6,641
Market value of listed securities	<u>116,000</u>	<u>-</u>	<u>5,512</u>	<u>6,641</u>	<u>121,512</u>	<u>6,641</u>
Carrying amount analysed for reporting purposes as:						
Non-current	116,000	-	-	-	116,000	-
Current	-	-	5,512	6,641	5,512	6,641
	<u>116,000</u>	<u>-</u>	<u>5,512</u>	<u>6,641</u>	<u>121,512</u>	<u>6,641</u>

Notes to the Financial Statements

For the year ended 31 December 2002

20. STOCK OF PROPERTIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Properties under development for sale		
Cost plus attributable profit less foreseeable losses	1,383,645	1,539,397
Less: Progress payments received	(1,929)	–
	<u>1,381,716</u>	<u>1,539,397</u>
Stock of unsold properties	<u>262,638</u>	<u>63,027</u>
	<u>1,644,354</u>	<u>1,602,424</u>

Included in the stock of properties the interest capitalised of HK\$85,809,000 (2001: HK\$46,859,000).

21. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
At cost:		
Gas fuel	11,512	20,078
Diesel fuel	–	12,737
Consumable stores	<u>12,239</u>	<u>6,653</u>
	<u>23,751</u>	<u>39,468</u>

Notes to the Financial Statements

For the year ended 31 December 2002

22. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit terms ranging from 0 to 180 days to its customers. However, for the properties customers, general credit terms of up to 3 years are allowed by the Group. Included in trade and other receivables are trade receivables totalling from HK\$114,327,000 (2001: HK\$139,920,000), the aged analysis of which is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Aged:		
0 to 90 days	96,856	109,293
91 to 180 days	5,357	18,233
181 to 360 days	4,784	299
over 360 days	7,330	12,095
	<u>114,327</u>	<u>139,920</u>
Less: Non-current portion	<u>(1,269)</u>	<u>(2,473)</u>
	<u>113,058</u>	<u>137,447</u>

23. AMOUNT DUE FROM AN ASSOCIATE

The loan to associate is payable on demand and carries interests at the rate of 3% per annum payable semi-annually, the payment of the amount is secured by to the shares of Sinolink Industrial Limited, share of Sinolink Electric Power Co. Limited ("SEPCL") and letter of undertaking to be executed by SEPCL.

Notes to the Financial Statements

For the year ended 31 December 2002

24. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$164,058,000 (2001: HK\$111,981,000), the aged analysis of which is as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Aged:		
0 to 90 days	140,461	93,116
91 to 180 days	121	5,986
181 to 360 days	804	8,824
over 360 days	22,672	4,055
	<u>164,058</u>	<u>111,981</u>

25. AMOUNT DUE TO SUBSIDIARIES

The balances are unsecured, interest free and repayable on demand.

26. AMOUNTS DUE FROM/TO MINORITY SHAREHOLDERS

These balances are unsecured, interest free and repayable on demand.

Notes to the Financial Statements

For the year ended 31 December 2002

27. BORROWINGS

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank loans				
– secured	189,529	189,804	–	–
– unsecured	522,950	675,412	–	–
Other loans	–	561	–	–
Convertible notes	206,600	55,183	81,600	55,183
	<u>919,079</u>	<u>920,960</u>	<u>81,600</u>	<u>55,183</u>
The maturity of the above loans is as follows:				
On demand or within one year	14,599	410,170	–	55,183
More than two years but not exceeding five years	904,480	510,790	81,600	–
	<u>919,079</u>	<u>920,960</u>	<u>81,600</u>	<u>55,183</u>
Less: Amount due within one year shown under current liabilities	<u>(14,599)</u>	<u>(410,170)</u>	<u>–</u>	<u>(55,183)</u>
Non-current portion	<u>904,480</u>	<u>510,790</u>	<u>81,600</u>	<u>–</u>

During the year, the convertible loan note due to a director, Mr. Ou Yaping, issued on 12 February 1999 was converted into 134,592,000 shares of the Company at an adjusted conversion price of HK\$0.41 per share.

The Company issued a new convertible loan note to Silver Grant International Industries Limited, in the amount of HK\$81,600,000 on 6 May 2002. The note is convertible into shares of the Company from the date of issue up to the second anniversary of the date of issue at a conversion price of HK\$0.8 per share. The outstanding unconverted principal amount of the note will be redeemed on 5 May 2004 at par. Interest is payable at 1% per annum.

Notes to the Financial Statements

For the year ended 31 December 2002

27. BORROWINGS (Continued)

The remaining amount of HK\$125,000,000, being the exchangeable note issued by a subsidiary of the Company, would be exchangeable into shares of Panva Gas from the date of issue up to the second anniversary of the date of issue. The outstanding unconverted principal amount of the note will be redeemed on 14 May 2004 at par. Interest is payable at 2% per annum.

28. SHARE CAPITAL

	Number of shares		Share capital	
	2002	2001	2002	2001
			HK\$'000	HK\$'000
Authorised:				
Shares of HK\$0.1 each				
Balance as at 1 January	4,800,000,000	2,000,000,000	480,000	200,000
Increased during the year	–	2,800,000,000	–	280,000
Balance as at 31 December	4,800,000,000	4,800,000,000	480,000	480,000
Issued and fully paid:				
Balance as at 1 January	1,672,000,000	1,520,000,000	167,200	152,000
Bonus issue of shares	–	152,000,000	–	15,200
Share option exercised (note 34)	42,845,000	–	4,285	–
Convertible note converted	134,592,000	–	13,459	–
Balance as at 31 December	1,849,437,000	1,672,000,000	184,944	167,200

Notes:

On 26 October 2001, the Company issued 152,000,000 shares of HK\$0.10 each in the Company as bonus issue of shares on the basis of one new share of HK\$0.10 each for every ten existing shares of HK\$0.10 each held by the shareholders of the Company by the way of capitalization of the sum of HK\$15,200,000 standing to the credit of the share premium account of the Company. The new shares rank pari passu with the existing shares in all respects. On the same date, the authorised share capital increased by 2,800,000,000 share of HK\$0.1 each.

Notes to the Financial Statements

For the year ended 31 December 2002

28. SHARE CAPITAL (Continued)

Notes: (Continued)

During the year, the subscription rights attached to 15,950,000 shares, 26,675,000 shares and 220,000 share options were exercised at the subscription price of HK\$0.33, HK\$0.41 and HK\$0.5 per share respectively resulting in the issue of 42,845,000 shares of HK\$0.1 each in the Company for a total cash consideration before expenses of HK\$16,310,250.

On 8 February 2002, convertible note of HK\$55,183,000 was converted into 134,592,000 at the price of HK\$0.41.

At 31 December 2002, the Company had outstanding 184,877,700 warrants to be exercised at any time on or before 29 November 2003. Each warrant entitled its holder to subscribe in cash at a price of HK\$1 for one ordinary share of the Group. Exercise in full of such warrants would result in the issue of 184,877,000 additional ordinary shares of HK\$0.1 each.

All the shares which were issued during the year rank pari passu with the then existing shares in all respects.

Notes to the Financial Statements

For the year ended 31 December 2002

29. RESERVES

	Share	Assets		Goodwill	General	Capital Contributed		Retained	Total
	premium	revaluation	Translation			reserve	surplus		
	account	reserve	reserve	reserve	reserve	reserve	surplus	profits	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP									
At 1 January 2001	293,853	-	(5,742)	(5,985)	51,782	-	368,262	345,018	1,047,188
Exchange rate adjustment	-	-	8	-	-	-	-	-	8
Capitalisation of shares	(15,200)	-	-	-	-	-	-	-	(15,200)
Realised on disposal of a subsidiary	-	(1,096)	24	65	(177)	(207)	-	-	(1,391)
Revaluation of land and buildings	-	20,558	-	-	-	-	-	-	20,558
Contribution from a minority shareholder	-	-	-	-	-	1,065	-	-	1,065
Transfer from profit and loss account	-	-	-	-	6,117	-	-	(6,117)	-
Profit for the year	-	-	-	-	-	-	-	116,971	116,971
Dividend	-	-	-	-	-	-	-	(60,639)	(60,639)
	<u>278,653</u>	<u>19,462</u>	<u>(5,710)</u>	<u>(5,920)</u>	<u>57,722</u>	<u>858</u>	<u>368,262</u>	<u>395,233</u>	<u>1,108,560</u>
At 31 December 2001	278,653	19,462	(5,710)	(5,920)	57,722	858	368,262	395,233	1,108,560
Exchange rate adjustment	-	-	(211)	-	-	-	-	-	(211)
Realised on disposal of a subsidiary	-	(10,611)	(294)	8,511	(3,821)	(77)	(480)	-	(6,772)
Premium arising on issue of shares	53,749	-	-	-	-	-	-	-	53,749
Transfer from profit and loss account	-	-	-	-	6,130	-	-	(6,130)	-
Profit for the year	-	-	-	-	-	-	-	294,429	294,429
Dividend	-	-	-	-	-	-	-	(55,483)	(55,483)
	<u>332,402</u>	<u>8,851</u>	<u>(6,215)</u>	<u>2,591</u>	<u>60,031</u>	<u>781</u>	<u>367,782</u>	<u>628,049</u>	<u>1,394,272</u>
At 31 December 2002	332,402	8,851	(6,215)	2,591	60,031	781	367,782	628,049	1,394,272
		Share			Contributed		Retained		Total
		premium			surplus		profits		Total
		account			surplus		profits		Total
		HK\$'000			HK\$'000		HK\$'000		HK\$'000
THE COMPANY									
At 1 January 2001		293,853			572,173		70,392		936,418
Capitalisation of shares		(15,200)			-		-		(15,200)
Profit for the year		-			-		10,242		10,242
Dividend		-			-		(60,639)		(60,639)
		<u>278,653</u>			<u>572,173</u>		<u>19,995</u>		<u>870,821</u>
At 31 December 2001		278,653			572,173		19,995		870,821
Premium arising on issue of shares		53,749			-		-		53,749
Profit for the year		-			-		94,722		94,722
Dividend		-			-		(55,483)		(55,483)
		<u>332,402</u>			<u>572,173</u>		<u>59,234</u>		<u>963,809</u>
At 31 December 2002		332,402			572,173		59,234		963,809

Notes to the Financial Statements

For the year ended 31 December 2002

29. RESERVES (Continued)

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

	Accumulated loss HK\$'000
At 1 January 2002	(4,034)
Loss for the year, accumulated	<u>(22,749)</u>
At 31 December 2002	<u><u>(26,783)</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.

The general reserve represents the 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.

The capital reserve represents the contribution from the minority shareholders of the subsidiaries waived.

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
- (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.

Notes to the Financial Statements

For the year ended 31 December 2002

29. RESERVES (Continued)

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

	2002 HK\$'000	2001 HK\$'000
Contributed surplus	572,173	572,173
Retained earnings	<u>59,234</u>	<u>19,995</u>
	<u>631,407</u>	<u>592,168</u>

Notes to the Financial Statements

For the year ended 31 December 2002

30. DISPOSAL OF A SUBSIDIARY

As referred to note 10, on 6 May 2002 the Group discontinued its electricity supply operations at the time of disposal of its subsidiary, Sinolink Industrial to Enerchina. The net assets of Sinolink Industrial at the date of disposal were as follows:

	2002 HK\$'000	2001 HK\$'000
Net (liabilities) assets disposed of:		
Property, plant and equipment	284,886	1,554
Interests in associate	564	-
Inventories	15,073	134
Trade receivables	9,613	109
Bank balances and cash	83,479	34
Other receivables, deposits and prepayments	3,518	60
Trade payables	(7,028)	(260)
Other payables and accruals	(20,167)	(450)
Loan from a minority shareholder of a subsidiary	(27,301)	-
Shareholder's loan	(137,902)	-
Tax payable	(483)	(258)
Bank borrowings	(174,144)	-
Minority interests	(31,238)	(706)
	<u>(1,130)</u>	<u>217</u>
Realisation of reserves on disposal:		
Properties revaluation account	(10,611)	-
Translation reserve	(294)	-
Goodwill reserve	8,511	-
General reserve	(3,821)	-
Capital reserve	(77)	-
Contributed surplus	(480)	-
Write back of provision made in prior year	-	(500)
	<u>(7,902)</u>	<u>(283)</u>
Deferred gain on disposal	77,000	-
Unrealised gain on disposal	68,987	-
Gain on disposal	84,048	283
	<u>222,133</u>	<u>-</u>
Total consideration		
Satisfied by:		
Cash consideration	163,035	-
Debt assignment	(137,902)	-
Loan	197,000	-
	<u>222,133</u>	<u>-</u>
Net cash inflow (outflow) arising on disposal:		
Cash received	163,035	-
Bank balance and cash disposed of	(83,479)	(34)
	<u>79,556</u>	<u>(34)</u>

Notes to the Financial Statements

For the year ended 31 December 2002

30. DISPOSAL OF A SUBSIDIARY (Continued)

According to the sale and purchase agreement dated 8 March 2002 ("Agreement"), the Group guaranteed Enerchina approximately RMB135,000,000 profit in respect of a subsidiary of Sinolink Industrial, Fuhuade for the two years ending 31 December 2003. According to the Agreement, balance of the consideration of HK\$197,000,000 shall be payable on demand.

On 6 May 2002, the Group acquired 29.99% of Enerchina which then became the associate of the Group. Accordingly, part of the gain on disposal of Sinolink Industrial because unrealised until the interest in Enerchina is disposed of.

Notes to the Financial Statements

For the year ended 31 December 2002

31. ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired 90% and 99.5% of the registered capital of Pengxi Panva Gas Co., Ltd. and Weiyuan Panva Gas Co., Ltd.. Both acquisitions have been accounted for by the acquisition method of accounting. The amount of goodwill and negative goodwill arising as a result of the acquisitions was HK\$2,461,000 and HK\$9,485,000 respectively.

	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Property, plant and equipment	77,729	24,516
Other investments	344	782
Inventories	126	2,144
Trade receivables	782	55
Other receivables, deposits and prepayments	1,386	2,325
Tax recoverable	-	211
Bank and cash balances	1,033	6,984
Trade payables	(3,119)	(2,345)
Other payables and accruals	(34,960)	(32,421)
Borrowings	(660)	-
Minority interests	(1,282)	(1,559)
	<u>41,379</u>	<u>692</u>
Goodwill	2,461	13,340
Negative goodwill	(9,485)	-
	<u>34,355</u>	<u>14,032</u>
Total consideration	<u>34,355</u>	<u>14,032</u>
Satisfied by cash	<u>34,355</u>	<u>14,032</u>
Net cash outflow arising on acquisition:		
Cash consideration	(34,355)	(14,032)
Bank balances and cash acquired	1,033	6,984
	<u>(33,322)</u>	<u>(7,048)</u>

The subsidiaries acquired during the year contributed HK\$71,036,000 to the Group's turnover, and HK\$56,329,000 to the Group's profit from operations.

Notes to the Financial Statements

For the year ended 31 December 2002

32. MAJOR NON-CASH TRANSACTIONS

During the year, a minority shareholder contributed HK\$Nil (2001: HK\$2,001,000) to the Group in the form of property, plant and equipment.

33. RELATED PARTY TRANSACTIONS

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

	2002 HK\$'000	2001 HK\$'000
Skillful Assets Limited (Notes a & b)		
– Rental paid thereto (Note c)	1,047	1,200
Mr. Ou Yaping (Note a)		
– Convertible note interest paid thereto (Note d)	287	2,759
Shenzhen Xiangdu F. & E. Co., Ltd. (Note a)		
– Rental received therefrom an associate (Note c)	–	393
Enerchina (Note a)		
– Interest received therefrom an associate (Note d)	<u>3,886</u>	<u>–</u>

Notes:

- a. Transactions with these related parties are regarded as connected transactions as set out in Chapter 14 of the Listing Rules of the Stock Exchange.
- b. A company controlled by Mr. Ou Yaping and of which Mr. Ou Yaping is a director.
- c. Rental expenses were determined by the directors based on the directors' estimates of fair market value.
- d. The interest expense was determined in accordance with the loan agreement. The interest rate is 5% per annum for the convertible note and 3% per annum for the loan from Enerchina.

A subsidiary of the Group provided several guarantees to Fuhuade, a subsidiary of Enerchina, which is an associate of the Group amounting to RMB69 million. The guarantees are for a term of six years plus two years on a negotiation basis.

Notes to the Financial Statements

For the year ended 31 December 2002

34. SHARE OPTION

The Company's share option schemes were adopted pursuant to the resolutions passed on 11 May 1998 (the "Old Scheme") and on 24 May 2002 (the "New Scheme") for providing incentives to directors and eligible employee and unless otherwise cancelled or amended. The New Scheme will expire on 23 May 2012. The Old Scheme was terminated on 24 May 2002. Under the Old Scheme and the New Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company, any of its subsidiaries, to subscribe for shares in the Company.

The following tables disclose details of the Company's share options held by employees (including directors) holdings during the year:

Option type	Outstanding at beginning of year	Granted during year	Exercised during year	Lapsed during year	Adjustment for the bonus issue during the year	Outstanding at end of year
For the year ended 31 December 2002	<u>103,796,000</u>	<u>45,800,000</u>	<u>42,845,000</u>	<u>58,380,000</u>	<u>-</u>	<u>48,371,000</u>
For the year ended 31 December 2001	<u>59,450,000</u>	<u>36,010,000</u>	<u>-</u>	<u>1,100,000</u>	<u>9,436,000</u>	<u>103,796,000</u>

Details of share options held by the Company's directors during the year are as follows:

	2002	2001
At 1 January	86,900,000	61,600,000
Granted during the year	27,800,000	25,300,000
Exercised during the year	(36,850,000)	-
Lapsed during the year	(44,000,000)	-
	<u>33,850,000</u>	<u>86,900,000</u>

Notes to the Financial Statements

For the year ended 31 December 2002

34. SHARE OPTION (Continued)

No charge is recognised in the income statement in respect of the value of share options granted.

The consideration received during the year was HK\$56.

Details of share options granted during the year are as follows:

	2002	2001
	01.09.2004	01.01.2005
	to	to
Expiry date	23.04.2006	01.06.2006
Exercise price	HK\$0.67 to HK\$0.81	HK\$0.33 to HK\$0.41
Aggregate proceeds if shares are issued	<u>HK\$32,226,000</u>	<u>HK\$12,939,000</u>

Details of share options exercised during the year are as follows:

	2002	2001
	03.09.2002	
	to	
Expiry date	01.06.2006	
Exercise price	HK\$0.33 to HK\$0.50	-
Aggregate issue proceeds	<u>HK\$16,310,000</u>	<u>-</u>

Notes to the Financial Statements

For the year ended 31 December 2002

34. SHARE OPTION (Continued)

As at 31 December 2002, details of options are as follows:

	Expiry date	Exercise price	2002	2001
“In the money”	03.09.2002 to 01.01.2004	HK\$0.41 to HK\$0.50	330,000	20,185,000
	01.01.2005 to 01.06.2006	HK\$0.33 to HK\$0.41	12,441,000	39,611,000
“Out of money”	05.01.2002 to	HK\$0.55 to HK\$0.64	–	44,000,000
	01.09.2004 to	HK\$0.67 to HK\$0.81	35,600,000	–
	23.04.2006			
			<u>48,371,000</u>	<u>103,796,000</u>

The exercise prices have been adjusted to reflect bonus share dividend issued during year 2001.

The share prices on the dates of exercise of options on 6 March 2002, 8 April 2002, 24 April 2002, 14 May 2002, 18 June 2002 and 5 August 2002 were HK\$0.66, HK\$0.72, HK\$0.90, HK\$1.12, HK\$0.82 and HK\$0.61 respectively.

The share prices on the dates of issue of shares upon exercise of options on 7 March 2002, 8 April 2002, 24 April 2002, 14 May 2002, 18 June 2002 and 5 August 2002 were HK\$0.67, HK\$0.72, HK\$0.79, HK\$1.12, HK\$0.82 and HK\$0.61 respectively.

Notes to the Financial Statements

For the year ended 31 December 2002

35. 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:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Group contributions to staff provident fund	5,925	4,170
Forfeited contributions utilised	(33)	(94)
Net contributions charged to operating profit	<u>5,892</u>	<u>4,076</u>
Un-utilised forfeited contributions	<u>-</u>	<u>-</u>

With the implementation of the 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 employees and the Company 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-exempt recognised occupational retirement schemes ("ORSO schemes"), all the existing members have to lapse their ORSO schemes and participate in the MPF schemes from 1 December 2000.

Notes to the Financial Statements

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36. CONTINGENT LIABILITIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Guarantees given to banks as security for the mortgage loans arranged for the purchasers of the Group's properties	<u>254,546</u>	<u>122,026</u>
Corporate guarantee given to a bank to secure bank borrowings granted to an associate	<u>279,701</u>	<u>-</u>
	THE COMPANY	
	2002 HK\$'000	2001 HK\$'000
Corporate guarantee given to a bank to secure general banking facilities granted to a subsidiary	<u>514,500</u>	<u>594,500</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.

Notes to the Financial Statements

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37. CAPITAL COMMITMENTS

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Commitments in respect of properties under development:		
– authorised but not contracted for	1,429,652	34,549
– contracted for but not provided in the financial statements	<u>110,607</u>	<u>113,898</u>
	1,540,259	148,447
Commitments in respect of interest in subsidiaries contracted for but not provided in the financial statements	<u>87,618</u>	<u>92,473</u>
	<u><u>1,627,877</u></u>	<u><u>240,920</u></u>

The Company had no capital commitments at the balance sheet date.

38. LEASE COMMITMENTS

At the balance sheet date, the Group had contracted with tenants for future minimum lease receipts in respect of land and buildings under non-cancellable operating leases which expire as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Within one year	225	757
In the second to fifth year inclusive	<u>2</u>	<u>139</u>
	<u><u>227</u></u>	<u><u>896</u></u>

The properties held has committed tenants for the periods up to two years after the balance sheet date.

Notes to the Financial Statements

For the year ended 31 December 2002

38. LEASE COMMITMENTS (Continued)

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

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	7,739	3,067	1,560	1,560
In the second to fifth years inclusive	11,634	3,213	845	2,665
Over five years	20,724	30,061	–	–
	<u>40,097</u>	<u>36,341</u>	<u>2,405</u>	<u>4,225</u>

The operating leases are negotiated for terms up to 30 years.

39. 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\$388,030,000 (2001: HK\$230,899,000) 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 amounting to approximately HK\$8,135,000 (2001: HK\$8,337,000) to secure bank loans granted to the subsidiaries of the Company.

40. POST BALANCE SHEET EVENT

On 6 March 2003, Enerchina completed a rights issue exercise of three rights shares for every two existing shares held. Smart Orient Investments Limited, a wholly owned subsidiary of the Company, acted as the underwriter of the rights issue. A total of 5,525,888,349 shares were issued as a result raising approximately HK\$106,000,000. Upon completion of the rights issue, the Group increased its interests in Enerchina from 29.99% to 40.44%.

On 23 April 2003, Panva Gas issued Convertible Bonds due 2008 in the aggregate amount of US\$50 million (the "CB"). The conversion price of the CB was fixed at HK\$3.9169 per share representing a conversion premium of approximately 20% to the volume weighted average price of HK\$3.2641 per share for 11 April 2003, the date on which the conversion price was fixed. The CB will bear interests of 2% per annum payable semi-annually in arrears each year. The CB will be listed on the Luxemburg Stock Exchange.