

# Notes to the Financial Statement

For the year ended 31 December 2002

## 1. General

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The activities of its principal subsidiaries and associates are set out in note 43 to the financial statements.

## 2. Adoption of New and Revised Statements of Standard Accounting Practice

In the current year, the Company has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP"s) issued by the Hong Kong Society of Accountants. The adoption of these new and revised SSAPs has led to a number of changes in the Group's accounting policies which are set out in note 3. In addition, the adoption of these SSAPs has resulted in the change in the format of the consolidated cash flow statement and the inclusion of a statement of changes in equity, but has had no material effect on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

## 3. Significant Accounting Policies

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

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

### Goodwill

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

Goodwill arising on acquisition is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

# Notes to the Financial Statement

For the year ended 31 December 2002

## 3. Significant Accounting Policies *(continued)*

### Goodwill *(continued)*

On disposal of a subsidiary or associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

### Investments in subsidiaries

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

### Investments 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 the premium paid on acquisition in so far as it has not been amortised, less any identified impairment loss.

### Revenue recognition

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

Rental income, including rentals invoiced in advance from properties under operating leases, are recognised on a straight-line basis over the relevant lease term.

Disposals of properties are recognised on the execution of a legally binding and irrecoverable sales agreement.

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

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

### Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and impairment loss.

### 3. Significant Accounting Policies *(continued)*

#### Property, plant and equipment *(continued)*

Depreciation is provided so as to write off the cost of property, plant and equipment other than construction in progress, using the straight-line method over their estimated useful lives which are as follows:

Leasehold land	Over the lease term
Building	Over the lease term or 50 years, whichever is shorter
Leasehold improvements	5 years or over the lease term, whichever is shorter
Furniture, fixtures and equipment	5 years
Plant and machinery	10 years
Motor vehicles	5 years

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

#### Construction in progress

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

#### Investment in an option

Investment in an option is stated at cost less impairment loss.

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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 loss is 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 other SSAP.

# Notes to the Financial Statement

For the year ended 31 December 2002

## 3. Significant Accounting Policies *(continued)*

### Investment properties

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

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

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

No depreciation is provided on investment properties except where the unexpired term of the relevant lease, including the renewal period, is 20 years or less.

### Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost. At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. Any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

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

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

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

### 3. Significant Accounting Policies *(continued)*

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, 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.

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

#### Taxation

The charge for taxation is based on the results for the period after adjusting 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 under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

#### Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease terms.

#### Foreign currencies

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

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, were translated at the rates ruling on the balance sheet date in prior year, 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 translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

#### Retirement benefits scheme

Payments to the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

# Notes to the Financial Statement

For the year ended 31 December 2002

## 4. Turnover

2002	2001
<i>HK\$'000</i>	<i>HK\$'000</i>

Turnover of the Group is analysed as follows:

Electricity supplies	114,792	–
Property leasing	453	670
	<u>115,245</u>	<u>670</u>

## 5. Business and Geographical Segments

### Business segments

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.

Segment information about these businesses is presented as below.

Year ended 31 December 2002:

	Electricity supplies <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER	<u>114,792</u>	<u>453</u>	<u>–</u>	<u>115,245</u>
RESULT				
Segment result	<u>14,294</u>	<u>(4,895)</u>	<u>(75,383)</u>	(65,984)
Finance cost				(5,666)
Interest income				843
Share of results of associates				2,611
Unallocated corporate expenses				<u>(13,466)</u>
Loss before taxation				(81,662)
Taxation				<u>(111)</u>
Loss after taxation				<u>(81,773)</u>

5. Business and Geographical Segments *(continued)*

Year ended 31 December 2001:

	Electricity supplies HK\$'000	Property leasing HK\$'000	Investment holding HK\$'000	Consolidated HK\$'000
TURNOVER	<u>–</u>	<u>670</u>	<u>–</u>	<u>670</u>
RESULT				
Segment result	<u>–</u>	<u>(5,396)</u>	<u>(47,550)</u>	(52,946)
Finance cost				(1,710)
Interest income				4,030
Impairment loss of associates				(41,555)
Share of results of associates				(34,433)
Unallocated corporate expenses				<u>(13,685)</u>
Loss before taxation				(140,299)
Taxation				<u>(2,118)</u>
Loss after taxation				<u>(142,417)</u>

# Notes to the Financial Statement

For the year ended 31 December 2002

## 5. Business and Geographical Segments *(continued)*

### Balance sheet

	Electricity supplies HK\$'000	Property leasing HK\$'000	Investment holding HK\$'000	Consolidated HK\$'000
At 31 December 2002:				
<b>ASSETS</b>				
Segment assets	670,609	672	299,362	970,643
Investment in associates				563
Unallocated corporate assets				38,538
				<u>1,009,744</u>
<b>LIABILITIES</b>				
Segment liabilities	(484,678)	(45)	(197,000)	(681,723)
Unallocated corporate liabilities				(12,796)
				<u>(694,519)</u>
<b>OTHER INFORMATION</b>				
Capital additions	443,363			443,363
Depreciation and amortisation	11,233		11,453	22,686
Impairment loss of investment securities			13,300	13,300
				<u>13,300</u>

5. Business and Geographical Segments *(continued)*

	Electricity supplies <i>HK\$'000</i>	Property leasing <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
At 31 December 2001:				
ASSETS				
Segment assets	–	28,190	85,150	113,340
Investment in associates				119,142
Unallocated corporate assets				<u>169,077</u>
Consolidated total assets				<u><u>401,559</u></u>
LIABILITIES				
Segment liabilities	–	(18,040)	(764)	(18,804)
Unallocated corporate liabilities				<u>(16,977)</u>
Consolidated total liabilities				<u><u>(35,781)</u></u>
OTHER INFORMATION				
Capital additions			1,188	1,188
Depreciation and amortisation			7,204	7,204
Impairment loss of investment securities			47,965	47,965
Impairment loss of associates				<u>41,555</u>

## Geographical segments

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

	Turnover by geographical market	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
The People's Republic of China ("PRC")	114,792	–
Hong Kong	<u>453</u>	<u>670</u>
	<u><u>115,245</u></u>	<u><u>670</u></u>

# Notes to the Financial Statement

For the year ended 31 December 2002

## 5. Business and Geographical Segments *(continued)*

### Geographical segments *(continued)*

An analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical area is as follows:

	Carrying amount of segment assets		Capital additions	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
PRC	754,360	159,461	443,363	1,162
Hong Kong	255,384	215,036	–	26
Korea	–	27,062	–	–
	<u>1,009,744</u>	<u>401,559</u>	<u>443,363</u>	<u>1,188</u>

## 6. Other Operating Income

	2002 HK\$'000	2001 HK\$'000
Other operating income includes the following income:		
Interest income on bank deposit	751	2,624
Other interest income	92	1,406
Exchange gain	–	88
Gain on disposal of other investments	–	6,771
	<u>          </u>	<u>          </u>

## 7. Loss Arising from Investment Properties

	2002 HK\$'000	2001 HK\$'000
Deficit arising on revaluation	30	6,110
Loss (gain) on disposal of investment properties and investment properties holding company	5,137	(1,813)
	<u>5,167</u>	<u>4,297</u>

## 8. Other Operating Expenses

	2002 HK\$'000	2001 HK\$'000
Other operating expenses comprise:		
Amortisation of goodwill	7,454	112
Severance payment	105	–
	<u>7,559</u>	<u>112</u>

## 9. Loss from Operations

	2002 HK\$'000	2001 HK\$'000
Loss from operations has been arrived at after charging:		
Auditors' remuneration	823	400
Depreciation and amortisation:		
Owned assets	11,577	418
Asset held under a hire purchase contract	–	12
Minimum lease payment under operating lease in respect of rented premises	1,589	1,325
Staff costs:		
Retirement benefits scheme contributions	201	348
Staff costs (including Directors' remuneration)	9,113	9,498
Total staff costs	9,314	9,846
Cost of inventories recognised as expense	<u>77,803</u>	<u>–</u>
and after crediting:		
Operating lease rental income in respect of investment properties, net of outgoings of HK\$128,000 (2001: HK\$102,000)	<u>325</u>	<u>568</u>

# Notes to the Financial Statement

For the year ended 31 December 2002

## 10. Finance Costs

	2002 HK\$'000	2001 HK\$'000
Interest on borrowings wholly repayable within five years:		
Bank borrowings	10,312	–
Hire purchase charges	–	1
Loan from a shareholder	3,886	–
	<u>14,198</u>	<u>1</u>
Interest on bank borrowings not wholly repayable within five years	303	1,709
	<u>303</u>	<u>1,709</u>
Total borrowing costs	14,501	1,710
Less: Amounts capitalised	8,835	–
	<u>8,835</u>	<u>–</u>
	<u><u>5,666</u></u>	<u><u>1,710</u></u>

Borrowing costs capitalised during the year arose on borrowing are calculated by applying a capitalisation rate of 2.13% to expenditure on qualifying assets.

## 11. Directors' Remuneration

	2002 HK\$'000	2001 HK\$'000
Directors' fees:		
Executive	–	–
Independent non-executive	320	187
	<u>320</u>	<u>187</u>
Other emoluments paid to executive directors:		
Salaries and other benefits	2,629	4,560
Contractual payments for loss of office of former directors	1,080	–
Retirement benefits scheme contributions	128	253
	<u>4,157</u>	<u>5,000</u>
	<u><u>4,157</u></u>	<u><u>5,000</u></u>

## 11. Directors' Remuneration *(continued)*

Emoluments of the directors were within the following bands:

	2002 Number of directors	2001 Number of directors
HK\$ nil to HK\$1,000,000	11	5
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$2,500,001 to HK\$3,000,000	—	1
	<u>13</u>	<u>8</u>

## 12. Employees' Emoluments

The six individuals with the highest emoluments in the Group included four executive directors (2001: three executive directors), whose emoluments are included in the amounts disclosed in note 11. The emoluments of the remaining two individuals (2001: three individuals) for the year ended 31 December 2002 are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other benefits	815	1,743
Retirement benefits scheme contributions	37	55
	<u>852</u>	<u>1,798</u>

Their emoluments are within the following band:

	2002 Number of employees	2001 Number of employees
HK\$ nil to HK\$1,000,000	<u>2</u>	<u>3</u>

## 13. Taxation

The taxation charge for the year represents the share of taxation other than in Hong Kong attributable to associates calculated at rates prevailing in the relevant jurisdictions.

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

Details of potential deferred taxation are set out in note 32.

# Notes to the Financial Statement

For the year ended 31 December 2002

## 14. Net Loss for the Year

Of the Group's net loss for the year of approximately HK\$85,697,000 (2001: HK\$141,890,000), a loss of approximately HK\$103,534,000 (2001: HK\$138,772,000) has been dealt with in the financial statements of the Company.

## 15. Loss per Share

The calculation of the basic loss per share is based on the net loss for the year of HK\$85,697,000 (2001: HK\$141,890,000) and on the weighted average number of 3,632,245,567 (2001: 3,632,336,252) ordinary shares in issue during the year.

No diluted loss per share has been calculated for the year as the exercise of the share options for the year ended 31 December 2002 and 31 December 2001, would result in a decrease in the loss per share.

## 16. Investment Properties

	<b>THE GROUP</b>
	<i>HK\$'000</i>
AT VALUATION	
At 1 January 2002	28,190
Disposals	(27,490)
Deficit on revaluation	(30)
	<u>670</u>
<b>At 31 December 2002</b>	<b><u>670</u></b>

At 31 December 2002, the Group's investment properties were revalued on an open market value basis by Messrs. DTZ Debenham Tie Leung, a firm of independent valuers, at HK\$670,000. The deficit arising on valuation of HK\$30,000 has been charged to the income statement.

The investment properties are vacant at the balance sheet date. In the prior year, investment properties with a carrying value of HK\$20,620,000 were rented out under operating leases.

The Group's investment properties are all situated in Hong Kong. The investment properties are held under the following lease terms:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Long leases	–	23,480
Medium-term leases	670	4,710
	<u>670</u>	<u>28,190</u>
	<b><u>670</u></b>	<b><u>28,190</u></b>

## 17. Property, Plant and Equipment

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP							
COST							
At 1 January 2002	–	478	955	–	–	–	1,433
Additions	–	–	25	–	1,286	293,424	294,735
Acquired on acquisition of subsidiaries	88,729	–	165	75,059	532	120,401	284,886
Written off	–	–	(15)	–	–	–	(15)
<b>At 31 December 2002</b>	<b>88,729</b>	<b>478</b>	<b>1,130</b>	<b>75,059</b>	<b>1,818</b>	<b>413,825</b>	<b>581,039</b>
DEPRECIATION							
At 1 January 2002	–	245	351	–	–	–	596
Provided for the year	2,541	160	300	8,204	372	–	11,577
Eliminated on written off	–	–	(15)	–	–	–	(15)
<b>At 31 December 2002</b>	<b>2,541</b>	<b>405</b>	<b>636</b>	<b>8,204</b>	<b>372</b>	<b>–</b>	<b>12,158</b>
NET BOOK VALUES							
<b>At 31 December 2002</b>	<b>86,188</b>	<b>73</b>	<b>494</b>	<b>66,855</b>	<b>1,446</b>	<b>413,825</b>	<b>568,881</b>
At 31 December 2001	–	233	604	–	–	–	837

# Notes to the Financial Statement

For the year ended 31 December 2002

## 17. Property, Plant and Equipment *(continued)*

	Leasehold improvements <i>HK\$'000</i>
THE COMPANY	
COST	
At 1 January 2002 and 31 December 2002	478
DEPRECIATION	
At 1 January 2002	245
Provided for the year	160
<b>At 31 December 2002</b>	<b>405</b>
NET BOOK VALUES	
<b>At 31 December 2002</b>	<b>73</b>
At 31 December 2001	233

The leasehold land and buildings are held under medium term leases and are situated in the PRC.

Included in construction in progress is net interest capitalised of approximately HK\$8,835,000.

## 18. Interests in Subsidiaries

	THE COMPANY	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	435,400	212,902
Less: Impairment losses recognised	(161,398)	(129,336)
	<u>274,002</u>	<u>83,566</u>
Amounts due from subsidiaries	586,488	559,649
Allowance for amounts due from subsidiaries	(417,374)	(381,607)
	<u>169,114</u>	<u>178,042</u>
	<u><b>443,116</b></u>	<u><b>261,608</b></u>

Details of the principal subsidiaries of the Company as at 31 December 2002 are set out in note 43.

The impairment losses are recognised for those subsidiaries which were inactive or ceased operations.

## 19. Goodwill

	THE GROUP HK\$'000
COST	
At 1 January 2001	3,371
Decrease on reclassification of a subsidiary to an associate	<u>(3,371)</u>
At 1 January 2002	–
Arising on acquisition during the year	<u>148,628</u>
<b>At 31 December 2002</b>	<b><u>148,628</u></b>
AMORTISATION	
At 1 January 2001	169
Provided for the year	112
Decrease on reclassification of a subsidiary to an associate	<u>(281)</u>
At 1 January 2002	–
Provided for the year	<u>7,454</u>
<b>At 31 December 2002</b>	<b><u>7,454</u></b>
NET BOOK VALUES	
<b>At 31 December 2002</b>	<b><u><u>141,174</u></u></b>
At 31 December 2001	<u><u>–</u></u>

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

# Notes to the Financial Statement

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## 20. Investment in an Option

In April 2001, Deco Investment Limited, a wholly owned subsidiary of the Company, acquired the entire issued share capital of Citystar Venture Limited ("Citystar") at a consideration of HK\$42,000,000. Citystar holds the entire issued capital of Beijing Starhood Digital Technology Co., Ltd. The only major asset of Citystar and its subsidiary ("Citystar Group") is the right to acquire an option ("Option") in the PRC for HK\$7,000,000 which enables the option holder to purchase a 49% equity interest in a company which is a digital network provider and data center operator in Beijing. As the only major asset of Citystar Group is the Option held, the total consideration paid of HK\$49,000,000 in connection with the acquisition of the Option is classified as "Investment in an option" in the balance sheet.

Due to the recession of the e-commerce industry and the change in the core business of the Group, the management reviewed the recoverable amount of the investment in this option and fully write it off.

## 21. Interests in Associates

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	563	85,335
Premium on acquisition of associates	—	33,807
	<u>563</u>	<u>119,142</u>

The movement of the premium on acquisition of associates are as follows:

	HK\$'000
At 1 January 2001	60,897
Increase on reclassification of a subsidiary	3,090
Amortisation during the year	(6,662)
Provision for impairment loss of associates	<u>(23,518)</u>
At 1 January 2002	33,807
Decrease on disposal of associates	(4,668)
Amortisation during the year	(3,655)
Reclassified to investments in securities	<u>(25,484)</u>
At 31 December 2002	<u>—</u>

## 21. Interests in Associates *(continued)*

The premium on acquisition of associates is amortised over a period of 10 years.

In the opinion of the directors, the group no longer has significant influence over Xin Hua Control Engineering Company Limited ("Xin Hua"), a sino-foreign equity joint venture established in PRC. Accordingly, the carrying value of Xin Hua is reclassified to investments in securities.

## 22. Investments in Securities

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Investment securities, carried at cost less impairment:		
Unlisted shares	83,188	20,300
Club debentures	1,486	1,050
	<u>84,674</u>	<u>21,350</u>
Carrying amount analysed for reporting purposes as:		
Non-current	<u>84,674</u>	<u>21,350</u>

During the year, the Group reviewed the carrying amounts of the investments in unlisted securities and identified that the estimated discounted net future cash flows from investees (the "Recoverable Amounts") are less than the carrying amounts. Accordingly, the carrying amounts of investees are reduced to their respective Recoverable Amounts which are estimated using market borrowing rates.

## 23. Inventories

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Raw materials and consumables	<u>23,942</u>	<u>—</u>

The inventories are stated at cost.

# Notes to the Financial Statement

For the year ended 31 December 2002

## 24. Debtors and Creditors

An analysis of the balance of debtors, deposits and prepayments is as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Trade debtors	19,160	–
Other receivables, deposits and prepayments	2,878	2,341
Amount due from a shareholder	75,000	–
	<u>97,038</u>	<u>2,341</u>

The following is an aged analysis of the trade debtors at 31 December 2002:

	2002	2001
	HK\$'000	HK\$'000
0 – 60 days	<u>19,160</u>	<u>–</u>

The Group allows an average credit period of 60 days to its customers.

An analysis of the balance of creditors and accrued charges is as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Trade creditors	19,005	–
Other creditors and accrued charges	79,086	16,224
	<u>98,091</u>	<u>16,224</u>

The following is an aged analysis of the trade creditors at 31 December 2002:

	2002	2001
	HK\$'000	HK\$'000
0 – 60 days	<u>19,005</u>	<u>–</u>

The Group did not have any trade debtors and creditors as at 31 December 2001 as the Group was mainly engaged in the business of investment holding and property holding during that year.

## 25. Loan to a Former Associate

The amount is secured by certain shares of the Company held by another shareholder of the associate and is, interest bearing at Hong Kong prime interest rate. The amount was originally repayable in 27 March 2002 and the Company has agreed with the associate to extend the repayment term so that the loan was repayable on demand. The loan was assigned to a third party upon the disposal of the associate during the year.

## 26. Amount Due from/to an Associate, Amount Due to a Shareholder and Loan from Minority Shareholders of Subsidiaries

### The Group and The Company

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

## 27. Secured Bank Borrowings

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Bank borrowings comprise the following:		
Bank loans	<b>361,085</b>	18,040
The bank borrowings are repayable as follows:		
Within one year	–	1,426
More than one year, but not exceeding two years	<b>37,418</b>	1,481
More than two years, but not exceeding five years	<b>323,667</b>	4,640
More than five years	–	10,493
	<b>361,085</b>	18,040
Less: Amount due within one year shown under current liabilities	–	(1,426)
	<b>361,085</b>	16,614

During the year, the Group obtained new bank loans of HK\$187,091,000. The loans bear interest at the rate announced by the People's Bank of China for a five year Renminbi loan plus 3% and are repayable by instalments over a period of five years. The proceeds were used to finance the expansion of the power plant in the PRC.

Included above is an amount of HK\$173,994,000 in respect of bank loans which were advanced in November 2001 to Fuhuade. The amount was originally due for repayment in November 2002. Subsequent to the balance sheet date, the bank has agreed to extend the term so that the amount is due for repayment in March 2006. Accordingly, the amount is classified as non-current.

# Notes to the Financial Statement

For the year ended 31 December 2002

## 27. Secured Bank Borrowings (continued)

The bank borrowings are secured by the corporate guarantee as detailed in note 41(b).

In the prior year, the bank borrowings were secured by the pledge of assets as detailed in note 36.

## 28. Loan from a Shareholder

The Group and the Company

The amount is secured by share charges given by the Company and Sinolink Industrial as detailed in note 41(a).

## 29. Share Capital

	Number of shares		Share capital	
	2002	2001	2002 HK\$'000	2001 HK\$'000
Ordinary shares of HK\$0.1 each				
Authorised:				
At beginning of year	6,000,000,000	6,000,000,000	600,000	600,000
Capital reduction (note a)	–	–	(540,000)	–
Increase of authorised share capital (note b)	24,000,000,000	–	240,000	–
	<u>30,000,000,000</u>	<u>6,000,000,000</u>	<u>300,000</u>	<u>600,000</u>
At end of year	<u>30,000,000,000</u>	<u>6,000,000,000</u>	<u>300,000</u>	<u>600,000</u>
Issued and fully paid:				
At beginning of year	3,632,245,567	3,634,295,567	363,225	363,430
Capital reduction (note a)	–	–	(326,903)	–
Shares repurchased and cancelled (note c)	–	(2,050,000)	–	(205)
	<u>3,632,245,567</u>	<u>3,632,245,567</u>	<u>36,322</u>	<u>363,225</u>
At end of year	<u>3,632,245,567</u>	<u>3,632,245,567</u>	<u>36,322</u>	<u>363,225</u>

## 29. Share Capital (*continued*)

Notes:

- (a) Pursuant to a special resolution passed at a special general meeting of the Company held on 8 November 2002, the share capital of the Company was changed as follows:
- The authorised share capital of the Company was reduced from HK\$600,000,000 ordinary shares of HK\$0.10 each to HK\$60,000,000 divided into 6,000,000,000 ordinary shares of HK\$0.01 each (the “New Shares”) and the reduction was effected by (i) reducing the issued share capital from HK\$363,225,000 to HK\$36,322,000 by cancelling paid up share capital to the extent of HK\$0.09 on the nominal value of HK\$0.10 on the nominal value of HK\$0.10 of each share of the Company in issue; and (ii) by reducing the nominal value of the issued and unissued ordinary shares of the Company from HK\$0.10 to HK\$0.01 per ordinary share; and
  - The credit of an amount of HK\$326,903,000 arising from the reduction of issued share capital of the Company being transferred to the contributed surplus.
- (b) Pursuant to an ordinary resolution passed at the special general meeting held on 8 November 2002, the authorised share capital of the Company was increased from HK\$60,000,000 to HK\$300,000,000 by the creation of an additional 24,000,000,000 ordinary shares of HK\$0.01 each.
- (c) During the year ended 31 December 2001, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	Number of ordinary shares of HK\$0.10 each	Price per share		Aggregate consideration paid HK\$
		Highest	Lowest	
		HK\$	HK\$	
January 2001	2,050,000	0.209	0.194	417,380

The above shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

## 30. Share Option Schemes

The Company has a share option scheme (the “1993 Scheme”) under which the Board of Directors of the Company may, at its discretion, grant options to any eligible employees of the Group including directors of the Company or its subsidiaries, to subscribe for shares in the share capital of the Company at any time within ten years from 26 July 1993, the date of approval of the 1993 Scheme. The subscription price of the option granted under the 1993 Scheme is the higher of the nominal value of the shares and 80 per cent of the average of the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the five trading days immediately preceding the date of the grant and option.

# Notes to the Financial Statement

For the year ended 31 December 2002

## 30. Share Option Schemes (continued)

Pursuant to an ordinary resolution passed on the special general meeting held on 14 May 2002, the 1993 Scheme was terminated and a new share option scheme of the Company (the "2002 Scheme") has been approved which will remain in force for a period of ten years. The board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

A nominal consideration of HK\$1 is payable on the grant of an option. The exercise price is the higher of the closing price of the shares of the Company as stated on the Stock Exchange on the date of grant, the average of the closing prices of the share of the Company as stated on the Stock Exchange for the five business days immediately preceding the date of grant and the nominal value of the share of the Company.

No options were granted under both schemes during the year.

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

Option type	Outstanding at 1.1.2002	Granted during year	Lapsed during year (Note)	Outstanding at 31.12.2002
1993 Scheme	<u>208,000,000</u>	<u>–</u>	<u>(156,320,000)</u>	<u>51,680,000</u>
Option type	Outstanding at 1.1.2001	Granted during year	Lapsed during year	Outstanding at 31.12.2001
1993 Scheme	<u>210,000,000</u>	<u>7,000,000</u>	<u>(9,000,000)</u>	<u>208,000,000</u>

Details of the share options under 1993 Scheme held by the directors included in the above table are as follows:

	Outstanding at 1 January	Lapsed during year (Note)	Outstanding at 31 December
2002	<u>200,000,000</u>	<u>(150,000,000)</u>	<u>50,000,000</u>
2001	<u>200,000,000</u>	<u>–</u>	<u>200,000,000</u>

Note: Lapsed arising on the resignation of employees (including directors) during the year.

### 30. Share Option Schemes (continued)

Details of specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price HK\$	Number of options	
					2002	2001
1993 Scheme	10.03.2000	120 months	10.03.2000 – 09.03.2010	0.520	–	100,000,000
	24.05.2000	120 months	24.05.2000 – 23.05.2010	0.290	50,000,000	50,000,000
	26.06.2000	120 months	26.06.2000 – 25.06.2010	0.390	1,000,000	1,000,000
	04.09.2000	120 months	04.09.2000 – 03.09.2010	0.378	–	50,000,000
	05.02.2001	120 months	05.02.2001 – 04.02.2011	0.200	–	5,000,000
	26.03.2001	120 months	26.03.2001 – 25.03.2011	0.210	680,000	2,000,000
					<u>51,680,000</u>	<u>208,000,000</u>

No consideration was received during the year as no option is granted under both schemes.

No charge is recognised in the income statement as no option is granted during the year.

### 31. Reserves

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE COMPANY				
At 1 January 2001	388,287	43,852	(293,070)	139,069
Premium on repurchase of shares	(212)	–	–	(212)
Net loss for the year	–	–	(138,772)	(138,772)
	<u>388,075</u>	<u>43,852</u>	<u>(431,842)</u>	<u>85</u>
At 1 January 2002	388,075	43,852	(431,842)	85
Capital reduction	–	326,903	–	326,903
Net loss for the year	–	–	(103,534)	(103,534)
	<u>388,075</u>	<u>370,755</u>	<u>(535,376)</u>	<u>223,454</u>
<b>At 31 December 2002</b>	<b><u>338,075</u></b>	<b><u>370,755</u></b>	<b><u>(535,376)</u></b>	<b><u>223,454</u></b>

# Notes to the Financial Statement

For the year ended 31 December 2002

## 31. Reserves (continued)

The contributed surplus represents the difference between the value of net assets of the subsidiaries acquired and the nominal value of the Company's shares issued in exchange for the issued share capital of the subsidiaries in 1991 and the credits arising from the changes in the share capital of the Company during the year.

Under the provisions of the Companies Act 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to shareholders. 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.

The accumulated losses of the Group include approximately HK\$25,065,000 (2001: HK\$41,373,000) attributable to the associates.

The Company did not have any distributable reserves as at 31 December 2002 and 2001.

## 32. Potential Deferred Taxation

The major components of the potential deferred taxation asset (liability) not recognised at the balance sheet date are as follows:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences attributable to:				
Tax losses carried forward	16,725	16,312	1,758	1,758
Difference between depreciation allowance and accounting depreciation	(59)	22	—	—
	<u>16,666</u>	<u>16,334</u>	<u>1,758</u>	<u>1,758</u>

The potential deferred taxation asset has not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

### 32. Potential Deferred Taxation *(continued)*

Deferred taxation has not been provided on the revaluation difference of investment properties as profits arising from disposal of these assets will not be subject to taxation and accordingly the revaluation difference does not constitute a timing difference for taxation purpose.

The amount of unrecognised deferred tax credit (charge) for the year is as follows:

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Tax effect of timing differences attributable to:				
Tax losses arising	413	1,497	–	–
Difference between tax depreciation allowance and accounting depreciation	(81)	131	–	–
	<u>332</u>	<u>1,628</u>	<u>–</u>	<u>–</u>

### 33. Acquisition of Subsidiaries

During the year, the Group acquired entire issued share capital of Sinolink Industrial Limited (“Sinolink Industrial”) for consideration of HK\$222,498,000. Sinolink Industrial is interested in 70% of the registered capital of Shenzhen Fuhuade Electric Co., Ltd. (“Fuhuade”), a sino-foreign equity joint venture company established in PRC, through a wholly owned subsidiary, Sinolink Electric Power Company Limited (“Sinolink Electric Power”). This acquisition has been accounted for by the acquisition method of accounting. The amount of goodwill arising as a result of the acquisition was HK\$223,628,000. In addition, a profit guarantee is provided by Sinolink as detailed in note 41 (a).

# Notes to the Financial Statement

For the year ended 31 December 2002

## 33. Acquisition of Subsidiaries (continued)

	2002 HK\$'000	2001 HK\$'000
Net assets (liabilities) acquired:		
Property, plant and equipment	284,886	–
Interests in associates	564	–
Inventories	15,073	–
Debtors, deposits and prepayments	13,131	–
Bank balances and cash	83,479	3,017
Creditors and accrued charges	(27,195)	(3,003)
Loan from a minority shareholder of a subsidiary	(27,301)	–
Shareholders' loan	(137,902)	–
Taxation payables	(483)	–
Bank borrowings	(174,144)	–
Minority interests	(31,238)	–
	<u>(1,130)</u>	<u>14</u>
Investment in an option (see note 20)	–	41,986
Goodwill	148,628	–
	<u>147,498</u>	<u>42,000</u>
Total consideration	<u>147,498</u>	<u>42,000</u>
Satisfied by:		
Cash paid	163,400	42,000
Deferred consideration (shareholder loan)	197,000	–
Debt assignment	(137,902)	–
Receivable in respect of adjustment to purchase consideration	(75,000)	–
	<u>147,498</u>	<u>42,000</u>
Net cash outflow arising on acquisition:		
Cash consideration	(163,400)	(42,000)
Bank balances and cash acquired	83,479	3,017
	<u>(79,921)</u>	<u>(38,983)</u>
Less: Deposit paid in prior year	–	31,869
	<u>(79,921)</u>	<u>(7,114)</u>

The subsidiaries acquired during the year contributed HK\$114,792,000 to the Group's turnover, and HK\$15,191,000 to the Group's profit from operations.

### 34. Disposal of Subsidiaries

During the year, certain associates and investment securities were disposed through the sale of certain subsidiaries. The net assets in aggregate of those subsidiaries at the date of disposal are as follow:

	2002 HK\$'000	2001 HK\$'000
Net assets disposed of:		
Property, plant and equipment	–	18,622
Interests in associates	34,764	–
Investments in securities	7,000	–
Debtors, deposits and prepayments	18	24,417
Bank balances and cash	–	31,856
Creditors and accrued charges	(1)	(11,671)
Minority interests	–	(32,497)
	<u>41,781</u>	<u>30,727</u>
Attributable goodwill	–	3,090
	<u>41,781</u>	<u>33,817</u>
Translation reserve released	18	–
Loss on disposal	(2,135)	–
	<u>39,664</u>	<u>33,817</u>
Total consideration/reclassified to interest in associates	<u>39,664</u>	<u>33,817</u>
Net cash inflow (outflow) arising on disposal:		
Cash consideration	39,679	–
Less: Deposit received in prior year	(13,531)	–
Less: Legal and professional fee	(15)	–
Bank balances and cash disposed of	–	(31,856)
	<u>26,133</u>	<u>(31,856)</u>

The subsidiaries disposed of during the year contributed insignificant amount to the Group's turnover and loss from operations.

# Notes to the Financial Statement

For the year ended 31 December 2002

## 35. Major Non-cash Transactions

At the time of acquisition of Sinolink Industrial as referred to in note 33, other than the cash consideration of HK\$163,400,000 paid to Sinolink Worldwide Holdings Limited ("Sinolink"), amount of HK\$197,000,000 is satisfied in the form of a loan from a shareholder carrying interest at the rate of 3% per annum payable semi-annually. In addition, Sinolink assigned a shareholders' loan in an amount equivalent to approximately HK\$137,902,000 to the Company.

## 36. Pledge of Assets

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
To secure the general banking facilities granted to the Group:		
Investment properties	–	27,490
Bank deposits	4,091	7,840
	<u>4,091</u>	<u>35,330</u>

The shares in Sinolink Industrial and Sinolink Electric Power are pledged to Sinolink to secure a loan from Sinolink of HK\$197,000,000. The details of the shares charges are set out in note 41(a) to the financial statements.

## 37. Contingent Liabilities

### The Group

The Group did not have any contingent liability at 31 December 2002 and 2001.

### The Company

At 31 December 2002, the Company has given a corporate guarantee up to 70% of the loan amount to a bank for general banking facilities granted to a subsidiary. The banking facilities utilised by the subsidiary at 31 December 2002 were approximately HK\$187,091,000 (2001: HK\$18,040,000).

### 38. Operating Lease Arrangement

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:

	2002 HK\$'000	2001 HK\$'000
Within one year	662	1,590
In the second to fifth year inclusive	—	662
	<u>662</u>	<u>2,252</u>

Operating lease payments represent rentals payable by the Group for its office property. The lease is negotiated for a term of two years.

At 31 December 2001, the Group had contracted with tenants for the following future minimum lease payments in respect of the investment properties:

	2001 HK\$'000
Within one year	978
In the second to fifth year inclusive	453
	<u>1,431</u>

The Group and the Company did not have any lease commitments at 31 December 2002.

### 39. Capital Commitments

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>13,900</u>	—
Capital expenditure in respect of the acquisition of property, plant and equipment authorised but not contracted for	<u>85,915</u>	—

# Notes to the Financial Statement

For the year ended 31 December 2002

## 40. Retirement Benefits Scheme

In December 2000, the Group enrolled all eligible employees in a Mandatory Provident Fund ("MPF") Scheme. The assets of the MPF Scheme are held separately from those of the Group under the control of trustees. The retirement benefit cost for the MPF charged to the income statement represents contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

## 41. Related Party and Connected Transactions

Details of transactions with related parties and connected parties for the year ended 31 December 2002 are as follows:

- (a) On 8 March 2002, the Company entered into an acquisition agreement ("Acquisition Agreement") with Sinolink. Pursuant to the terms of Acquisition Agreement, the Company purchased the entire issued share capital of Sinolink Industrial from Sinolink (the "Acquisition").

Sinolink Industrial is interested in 70% of the registered capital of Fuhuade, a sino-foreign equity joint venture company established in the PRC, through a wholly owned subsidiary, Sinolink Electric Power. Sinolink assigned a shareholders' loan in an amount equivalent to approximately HK\$137.9 million which is interest free owing to Sinolink by Sinolink Industrial to the Company. The consideration of the Acquisition and the assignment of the shareholders' loan is approximately HK\$360.4 million, of which approximately HK\$163.4 million was satisfied by cash at completion and the balance of HK\$197 million remains payable on demand and carries interest until actual payment at the rate of 3% per annum payable semi-annually. However, Sinolink undertakes that as long as Sinolink is a substantial shareholder of the Company, Sinolink will not demand the balance of HK\$197 million from the Company, which actions will detrimentally affect the financial resources and daily operations of the Company. Payment of approximately HK\$197 million and the interest accrued thereon is secured by share charges given by the Company and Sinolink Industrial respectively over the shares in Sinolink Industrial and Sinolink Electric Power respectively and an undertaking given by Sinolink Electric Power not to create any security interest over its interest in 70% of the registered capital of Fuhuade, in each case in favour of Sinolink. Interest of HK\$3,886,027 has been charged by Sinolink during the year ended 31 December 2002.

In addition, a profit guarantee is provided by Sinolink under the Acquisition Agreement that the profits after taxation of Fuhuade arising from its ordinary activities and excluding any extraordinary item (i) for the two financial years ending 31 December 2003 in aggregate is less than RMB135,000,000; or (ii) for the year ending 31 December 2003 is less than RMB110,000,000 (each being the "Relevant Guaranteed Profit"), Sinolink shall repay to the Company an amount equivalent to the shortfall between the Relevant Guaranteed Profits and the corresponding profit.

#### 41. Related Party and Connected Transactions *(continued)*

- (b) On 26 June 2002, Fuhuade entered into a loan agreement with a bank for an amount of RMB230 million. The loan is repayable for a term of six years (the "Term"). Fuhuade is a subsidiary of the Company which holds 70% of its equity interest and the remaining 30% is held by Shenzhen Sinolink Enterprises Limited ("Shenzhen Sinolink"), a subsidiary of Sinolink, a substantial shareholder of the Company.

The Company provided a guarantee of 70% of the loan, being RMB161 million. The remaining 30% is guaranteed by Shenzhen Sinolink. The guarantee is for the period of the Term plus two years thereafter.

- (c) On 6 March 2003, Fuhuade entered into a loan agreement with a bank for an amount up to US\$25 million. The loan is repayable for a term of three years (the "New Term").

The Company provided a guarantee of 70% of the loan, amounting US\$17.5 million. The remaining 30% is guaranteed by Shenzhen Sinolink. The guarantee is for the period of the New Term plus two years thereafter.

- (d) During the year ended 31 December 2002, the Group received interest income of approximately HK\$92,000 in respect of a loan to a former associate. The loan is repaid during the year upon disposal of the former associate through the sale of a subsidiary. The interest is charged at Hong Kong prime rate.

Details of the transactions with related parties for the year ended 31 December 2001 were as follows:

- (a) On 11 December 2000, eGoChina Holdings entered into a subscription agreement with Rado International Limited ("Rado"), a wholly-owned subsidiary of the Company and Atlantic Cay whereby Rado and Atlantic Cay agreed to subscribe for 1,000,000 and 2,000,000 Preferred Shares respectively at an aggregate consideration of US\$3,000,000. The consideration was satisfied in cash. The transaction was completed in January 2001 after approval at the Special General Meeting of the Company held on 15 January 2001.
- (b) During the year 2001, the Group received interest income of approximately HK\$237,000 from an associate in respect of a loan to an associate. The interest is charged at Hong Kong prime rate.

Details of balances with related parties and other transactions with related parties are also set out in other notes to the financial statements.

#### 42. Post Balance Sheet Events

Pursuant to an ordinary resolution passed on a special general meeting held on 10 February 2003, the Company issued 5,448,368,349 rights shares of HK\$0.01 each at HK\$0.02 per rights share in proportion of three rights shares for every two existing shares held.

# Notes to the Financial Statement

For the year ended 31 December 2002

## 42. Post Balance Sheet Events (continued)

Pursuant to the resolutions passed on a special general meeting held on 22 April 2003. The share capital of the Company was changed as follows:

- (a) The ordinary shares of the Company in their consolidated form, every forty issued and unissued shares of HK\$0.01 each in the capital of the Company, were consolidated into one share of HK\$0.40 ("Consolidated Shares") in the capital of the Company;
- (b) The authorised share capital of the Company was reduced from HK\$300,000,000 divided into 750,000,000 Consolidated Shares to HK\$7,500,000 divided into 750,000,000 ordinary shares of HK\$0.01 each and that such reduction was effected by (i) reducing the issued share capital of the Company from HK\$90,806,000 to HK\$2,270,000 by cancelling paid up share capital to the extent of HK\$0.39 on each Consolidated Shares in issue; and (ii) by reducing the nominal value of each issued and unissued Consolidated Shares from HK\$0.40 to HK\$0.10;
- (c) The credit of HK\$88,536,000 arising from the reduction of issued capital of the Company being transferred to the contributed surplus.

## 43. Particulars of Principal Subsidiaries and Associates

Details of the Company's principal subsidiaries as at 31 December 2002 are as follows:

Name of subsidiary	Place of incorporation/ operation	Type of company	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
				Directly	Indirectly	
				%	%	
Alyo Limited	Hong Kong	Limited liability company	HK\$2	–	100	Property investment
Eastern Pith Investment Limited	Hong Kong	Limited liability company	HK\$100	–	100	Property investment
Hanka Limited	Hong Kong	Limited liability company	HK\$2	–	100	Holding of club membership
Peaceway Investment Limited	Hong Kong	Limited liability company	HK\$100	–	100	Property investment

## 43. Particulars of Principal Subsidiaries and Associates (continued)

Name of subsidiary	Place of incorporation/ operation	Type of company	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities
				Directly	Indirectly	
				%	%	
Silvernet Resources Limited	Hong Kong	Limited liability company	HK\$2	100	–	Provision of management services
Sinolike Investment Limited	Hong Kong	Limited liability company	HK\$2	–	100	Property investment
Xeno International Limited	Hong Kong	Limited liability company	HK\$2	–	100	Property investment
New China Control Systems Limited	BVI	Limited liability company	US\$1	100	–	Investment holding
Rado International Limited	BVI	Limited liability company	US\$1	100	–	Investment holding
Sinolink Industrial Limited	BVI	Limited liability company	US\$50,001	100	–	Investment holding
Sinolink Electric Power Company Limited	Hong Kong	Limited liability company	HK\$2 ordinary shares and \$100,000 non-voting deferred shares	–	100	Investment holding
Shenzhen Fuhuade Electric Co., Ltd.	PRC	Sino-foreign equity joint venture	RMB100,000,000	–	70	Electricity supplies

# Notes to the Financial Statement

For the year ended 31 December 2002

## 43. Particulars of Principal Subsidiaries and Associates *(continued)*

None of the subsidiaries had any loan capital outstanding at the end of the year, or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.