

# Notes to the Condensed Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2003

## 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

## 2. SIGNIFICANT ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention.

In the current period, the Group has adopted SSAP 12 (Revised) “Income Taxes”, for the first time, issued by the HKSA. SSAP 12 (Revised) has introduced a new basis of accounting for deferred tax which has been adopted in the condensed financial statements. The adoption of the above standard has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustments were required.

Other than the above, the accounting policies adopted are consistent with those followed in the Group’s annual audited financial statements for the year ended 31 December 2002.

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## 3. SEGMENT INFORMATION

For management purposes, the Group is organised into three operating divisions – electricity supplies, investment holding and property leasing. The property leasing division is ceased to operate during the period. The remaining two divisions are the basis on which the Group reports its primary segment information.

### Business segment

Six months ended 30 June 2003

	Continuing operations		Discontinuing	Consolidated
	Electricity	Investment	operation	
	supplies	holding	Property	
	HKS'000	HKS'000	leasing	HKS'000
TURNOVER	187,786	–	–	187,786
RESULT				
Segment result	19,709	1,818	(10)	21,517
Interest income				310
Unallocated corporate expenses				(5,052)
Profit from operations				16,775

### Business segment

Six months ended 30 June 2002

TURNOVER	70,090	–	452	70,542
RESULT				
Segment result	5,038	(10,226)	(4,537)	(9,725)
Interest income				699
Impairment loss recognised in respect of investment in unlisted securities				(13,300)
Impairment loss recognised in respect of investment in an option				(48,986)
Unallocated corporate expenses				(1,094)
Loss from operations				(72,406)

#### 4. DISCONTINUING OPERATION

In March 2003, the Group entered into a sale agreement to dispose of its investment property, which represented the Group's property leasing operations in Hong Kong. The disposal was effected in order to generate cash flow for the expansion of the Group's other business. The disposal has completed in April 2003, on which date the title of the property passed to the purchaser.

The results of the property leasing operations for the period from 1 January 2003 to 30 April 2003, which have been included in the condensed financial statements, were as follows:

	<b>Four months ended</b>	Six months ended
	<b>30.4.2003</b>	30.6.2002
	<b>HK\$'000</b>	HK\$'000
Turnover	–	452
Operating costs	<b>(136)</b>	(4,989)
Finance costs	–	(264)
Net loss for the period	<b><u>(136)</u></b>	<b><u>(4,801)</u></b>

During the period, the property leasing operation contributed an outflow of HK\$10,000 (2002: an inflow of HK\$143,000) to the Group's net operation cash flows, received HK\$544,000 (2002: HK\$16,480,000) in respect of investing activities and had no cash flows in respect of financing activities (2002: an outflow of HK\$12,229,000).

A loss of HK\$126,000 was incurred on the disposal of the investment property. No tax charge or credit arose from the disposal.

#### 5. DEPRECIATION AND AMORTISATION

During the period, depreciation of HK\$17,436,000 (2002: HK\$2,981,000) was charged in respect of the Group's property, plant and equipment and amortisation of HK\$3,716,000 (2002: HK\$1,863,000) was charged in respect of the goodwill arising from acquisition of subsidiaries.

#### 6. TAXATION

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

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

No provision for deferred taxation has been recognised in the condensed financial statements as the amount involved is insignificant.

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## 7. DIVIDENDS

The directors do not recommend the payment of an interim dividend (2002: nil).

## 8. EARNINGS (LOSS) PER SHARE

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

	Six months ended	
	30.6.2003	30.6.2002
	HK\$'000	HK\$'000
Net profit (loss) for the purposes of basic earnings (loss) per share	5,067	(72,344)
	<b>Number of shares</b>	
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	192,747,318	99,432,722

The weighted average number of ordinary shares for the purposes of basic earnings (loss) per share has been adjusted for the rights issue and share consolidation during the period.

No diluted earnings and loss per share has been calculated for the current and prior period as the exercise price of the Company's options was higher than the average market price for shares in both periods.

## 9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$39,509,000 (2002: HK\$66,730,000) on acquisition of property, plant and equipment.

## 10. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables are trade receivables totalling HK\$94,197,000 (2002: HK\$19,160,000), the aged analysis of which is as follows:

	30.6.2003	31.12.2002
	HK\$'000	HK\$'000
Aged:		
0 to 60 days	94,197	19,160

**11. TRADE AND OTHER PAYABLES**

Included in trade and other payables are trade payables totalling HK\$33,653,000 (2002: HK\$19,005,000), the aged analysis of which is as follows:

	<b>30.6.2003</b>	31.12.2002
	<b>HK\$'000</b>	HK\$'000
Aged:		
0 to 60 days	<b>33,559</b>	19,005
Over 180 days	<b>94</b>	-
	<b>33,653</b>	19,005

**12. LOAN FROM A SHAREHOLDER**

The amount is secured by share charges given by the Company and Sinolink Industrial Limited over the shares in Sinolink Industrial Limited and Sinolink Electric Power Company Limited respectively and an undertaking given by Sinolink Electric Power Company Limited not to create any security interest over its interest in Fuhuade, carries interest at a rate of 3.0% per annum and is repayable on demand.

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## 13. SHARE CAPITAL

	Number of shares		Share capital	
	30.6.2003	31.12.2002	30.6.2003 HK\$'000	31.12.2002 HK\$'000
<b>Ordinary shares of HK\$0.01 each</b>				
<i>Authorised:</i>				
At beginning of period/year	30,000,000,000	6,000,000,000	300,000	600,000
Share consolidation (note b)	(29,250,000,000)	–	–	–
Capital reduction (note c and d)	–	–	(292,500)	(540,000)
Increase of authorised share capital (note e)	–	24,000,000,000	–	240,000
At end of period/year	<u>750,000,000</u>	<u>30,000,000,000</u>	<u>7,500</u>	<u>300,000</u>
<i>Issued and fully paid:</i>				
At beginning of period/year	3,632,245,567	3,632,245,567	36,322	363,225
Rights issue of shares (note a)	5,448,368,349	–	54,484	–
Share consolidation (note b)	(8,853,598,569)	–	–	–
Capital reduction (note c and d)	–	–	(88,536)	(326,903)
At end of period/year	<u>227,015,347</u>	<u>3,632,245,567</u>	<u>2,270</u>	<u>36,322</u>

### Notes:

- (a) Pursuant to an ordinary resolution passed at a special general meeting of the Company 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, on the basis of three rights shares for every two existing shares held.
- (b) Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 22 April 2003, every forty issued and unissued shares of HK\$0.01 each were consolidated into one share of HK\$0.40 ("Consolidated Share").
- (c) Pursuant to a special resolution passed at the same meeting as mentioned in note (b), the share capital of the Company was changed as follows:

The authorised share capital of the Company was reduced from HK\$300,000,000 ordinary shares of HK\$0.40 each to HK\$7,500,000 divided into 750,000,000 ordinary shares of HK\$0.01 each and the reduction was effected by (i) reducing the issued share capital 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 Share; and (ii) by reducing the nominal value of each issued and unissued Consolidated Share from HK\$0.40 to HK\$0.01 per ordinary share.

The credit of an amount of HK\$88,536,000 arising from the reduction of issued share capital of the Company being transferred to the contributed surplus.

- (d) 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 HK\$0.10 each to HK\$60,000,000 divided into 6,000,000,000 ordinary shares of HK\$0.01 each 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 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.

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.

- (e) 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.

#### 14. BORROWINGS

During the period, the Group borrowed and repaid bank loans of HK\$115,722,000 and HK\$67,549,000 respectively. The loans bear interest at market rates and are repayable in three to six years.

#### 15. OPERATING LEASE ARRANGEMENTS

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

	30.6.2003	31.12.2002
	HK\$'000	HK\$'000
Within one year	4,940	662
In the second to fifth year inclusive	12,368	—
	<b>17,308</b>	<b>662</b>

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

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## 16. RELATED PARTIES TRANSACTIONS

- (a) On 6 March 2003, Shenzhen Fuhuade Electric Power Co. Ltd. ("Fuhuade"), a subsidiary of the Company, 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 "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 Worldwide Holdings Limited ("Sinolink"), a substantial shareholder of the Company.

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 Term plus two years thereafter.

- (b) On 10 July 2003, Fuhuade obtained an approval of loan facility from a bank for an amount of RMB100 million. The loan is repayable for a term of three years (the "New Term").

The Company provided a guarantee of 70% of the loan, being RMB70 million. The remaining 30% is guaranteed by Shenzhen Sinolink. The guarantee is for the period of the New Term plus two years thereafter.

- (c) The Company incurred an interest expense of HK\$2,640,000 in respect of the shareholder's loan from Sinolink. As at 30 June 2003, the outstanding amount of the shareholder's loan was HK\$167,000,000.

## 17. CAPITAL COMMITMENTS

	30.6.2003	31.12.2002
	HK\$'000	HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment:		
– authorised but not contracted for	2,406	85,915
– contracted but not provided in the financial statement	17,833	13,900
	<b>20,239</b>	<b>99,815</b>

## 18. SUBSEQUENT EVENT

In August 2003, a supplier filed an application of arbitration against Fuhuade in respect of a claim for extra contract sum due to the additional time involved during the installation of the new generating units. The extra contract sum claimed, together with interest thereon, amounts approximately HK\$28,015,000. Fuhuade has instructed a law firm to act on its behalf in respect of the arbitration. As the arbitration is at an early stage and the outcome of such cannot be ascertained at this moment, no provision for the amount claimed has been made by the Group as at 30 June 2003.