

# Notes to the Condensed Financial Statements

*For the six months ended 30 June 2003*

## 1. Accounting Policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities.

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

In the current period, the Company has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (SSAPs) issued by the HKSA. The adoption of these SSAPs has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### Income taxes

In the current interim period, the Group has adopted SSAP 12 (Revised) “Income Taxes”. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit with limited exceptions.

The adoption of SSAP 12 (Revised) have no significant effect on the results for the current or prior accounting periods.

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

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2003

## 2. Segment Information

An analysis of the Group's turnover and contribution to profit from operations for the six months ended 30 June 2003 is as follows:

30.06.2003	Continuing operations			Discontinuing operation	Eliminations	Consolidated
	Sale of completed properties/development	Gas fuel	Other business activities	Electricity supply operations		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER						
External	155,228	702,990	13,093	-	-	871,311
Inter-segment	-	-	4,771	-	(4,771)	-
Total	155,228	702,990	17,864	-	(4,771)	871,311
SEGMENT RESULT	17,384	116,878	2,141	-	-	136,403
Other operating income						5,985
Unallocated corporate expenses						(25,866)
Profit from operations						116,522

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2003

## 2. Segment Information (Continued)

	Continuing operations			Discontinuing operation	Eliminations	Consolidated
	Sale of completed properties/development	Gas fuel	Other business activities	Electricity supply operations		
30.06.2002	properties	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER						
External	134,539	499,340	11,840	40,474	-	686,193
Inter-segment	-	-	4,771	-	(4,771)	-
Total	134,539	499,340	16,611	40,474	(4,771)	686,193
SEGMENT RESULT	21,761	90,713	311	2,179	-	114,964
Other operating income						2,321
Unallocated corporate expenses						(18,347)
Profit from operations						98,938

*Note:* Other business activities include income from decoration, interior design work and property management services.

Inter-segment sales are charged at normal commercial terms.

The Group's turnover and profit from operations are substantially derived from the People's Republic of China ("PRC").

## 3. Depreciation and Amortisation

During the period, depreciation of HK\$15,212,000 (2002: HK\$18,464,000) was charged in respect of the Group's property, plant and equipment and amortisation of HK\$608,709 (2002: HK\$2,314,083) was charged to administrative expenses in respect of the Group's goodwill. HK\$1,026,626 (2002: HK\$868,183) was released in respect of the Group's negative goodwill. Unrealised holding loss on investments in securities of HK\$4,110,000 (2002: HK\$2,938,000) and gain on disposal of investments in securities of HK\$889,000 (2002: HK\$Nil) was charged or credited to income statement.

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2003

## 4. Taxation

<b>Six months ended</b>	
<b>30.6.2003</b>	30.6.2002
<b>HK\$'000</b>	HK\$'000

The charge comprises:

Profit for the period		
PRC, excluding Hong Kong	<b>4,653</b>	5,022

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 per cent. 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 period.

The charge for the period can be reconciled to the profit in the consolidated income statement as follows:

<b>Six months ended</b>		
<b>30.6.2003</b>	30.6.2002	
<b>HK\$'000</b>	HK\$'000	
Profit before taxation	<b>126,248</b>	193,775
Tax at the applicable tax rate of 33% (2002: 33%)	<b>41,662</b>	63,946
Tax effect of income that is not taxable in determining taxable profit	<b>(34,341)</b>	(55,158)
Tax effect of deferred tax assets not recognised	<b>6,343</b>	4,910
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(9,011)</b>	(8,676)
Tax expenses	<b>4,653</b>	5,022

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2003

## 5. Dividends

The directors have resolved to declare an interim dividend of HK\$0.03 per share (2002: HK\$0.03 per share) in respect of six months ended 30 June 2003. The interim dividend is payable on or before 15 October 2003 to shareholders whose names appear on the register of members of the Company on 8 October 2003.

## 6. Earnings Per Share

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

	<b>Six months ended</b>	
	<b>30.6.2003</b>	30.6.2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purposes of basic earnings per share	<b>77,018</b>	151,600
Effect of dilutive potential shares:		
Interest on convertible note	<b>384</b>	412
Earnings for the purposes of diluted earnings per share	<b>77,402</b>	152,012
	<i>No. of shares</i>	<i>No. of shares</i>
Weighted average number of shares for the purposes of basic earnings per share	<b>1,849,470,547</b>	1,790,402,683
Effect of dilutive potential ordinary shares:		
Convertible note	<b>51,000,000</b>	46,470,247
Share options	<b>2,352,358</b>	27,618,074
Weighted average number of shares for the purposes of diluted earnings per share	<b>1,902,822,905</b>	1,864,491,004

*Note:* The computation of diluted earnings per share does not assume the conversion of the subsidiary's outstanding convertible bond since their exercise would result in an increase in net profit per share from continuing ordinary operations.

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2003

## 7. Movements in Property, Plant and Equipment

	<b>Property, plant and equipment</b> <i>HK\$'000</i>
<b>COST OR VALUATION</b>	
At 1 January 2003	518,804
Additions	80,357
Disposals	(3,469)
At 30 June 2003	<u>595,692</u>
<b>DEPRECIATION</b>	
At 1 January 2003	86,129
Provided for the period	15,212
Eliminated on disposals	(1,982)
At 30 June 2003	<u>99,359</u>
<b>NET BOOK VALUE</b>	
At 30 June 2003	<u>496,333</u>
At 31 December 2002	<u>432,675</u>

## 8. Goodwill

	<b>2003</b> <i>HK\$'000</i>
At 1 January 2003	22,659
Amortisation	609
At 30 June 2003	<u>22,050</u>

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2003

## 9. Interest in Associates

During the period, the Group exercised the right issue and further acquired 10.45% of the issued share capital of Enerchina Holdings Limited for a consideration of HK\$18,315,000. The net asset value acquired was approximately HK\$39,994,000 and negative goodwill arising on acquisition was approximately HK\$21,679,000. The negative goodwill is released to income on a straight-line basis of 20 years and HK\$361,000 was released to administrative expenses during the period. In addition, HK\$1,362,000 in respect of goodwill amortisation has been charged to administrative expenses.

## 10. Trade and Other Receivables

The Group has a policy of allowing an average credit period ranging from 0 to 180 days to its customers. Included in trade and other receivables are trade receivables totalling HK\$76,246,000 (2002: HK\$114,327,000), 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 90 days	<b>50,734</b>	96,856
91 to 180 days	<b>15,396</b>	5,357
181 to 360 days	<b>3,404</b>	4,784
Over 360 days	<b>6,712</b>	7,330
	<b>76,246</b>	114,327
Less: Non-current portion	<b>(630)</b>	(1,269)
	<b>75,616</b>	113,058

## 11. Trade and Other Payables

Included in trade and other payables are trade payables of HK\$79,352,000 (2002: HK\$164,058,000), 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 90 days	<b>42,227</b>	140,461
91 to 180 days	<b>8,417</b>	121
181 to 360 days	<b>14,567</b>	804
Over 360 days	<b>14,141</b>	22,672
	<b>79,352</b>	164,058

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2003

## 12. Borrowings

	<b>30.6.2003</b>	31.12.2002
	<b>HK\$'000</b>	HK\$'000
Bank loans		
– secured	<b>189,061</b>	189,529
– unsecured	<b>522,950</b>	522,950
Convertible bond	<b>389,750</b>	–
Convertible notes	<b>165,800</b>	206,600
	<b>1,267,561</b>	919,079
The maturity of the above loans is as follows:		
Within one year	<b>54,931</b>	14,599
More than two years but not exceeding five years	<b>1,212,630</b>	904,480
	<b>1,267,561</b>	919,079
<i>Less:</i> Amount due within one year shown under current liabilities	<b>(54,931)</b>	(14,599)
Non-current portion	<b>1,212,630</b>	904,480

The amount of HK\$125,000,000 of the convertible note being the exchangeable note issued by a subsidiary of the Company, would be exchangeable into shares of Panva Gas Holdings Limited (“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 31 October 2004 at par. Interest is payable at 2% per annum.

The remaining amount of HK\$40,800,000 is a convertible loan note issued by the Company. 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.

The convertible bond was issued on 23 April 2003 by a subsidiary of the Company. The bond is convertible into shares of the Panva Gas from the 45th day commencing from the date of issue up to 14 days prior to the fifth anniversary of the date of issuance. The price at which each share shall be issued upon conversion shall be HK\$3.9169 per share. The outstanding unconverted principal amount of the bond will be redeemed on 23 April 2008 at 108.119%. Interest of 2% is paid per annum.

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2003

## 13. Share Capital

	<b>30.6.2003</b>	31.12.2002
	<b>HK\$'000</b>	HK\$'000
Shares of HK\$0.10 each		
<i>Authorised:</i>		
4,800,000,000 shares of HK\$0.10 each	<b>480,000</b>	480,000
<i>Issued and fully paid:</i>		
1,849,943,000 shares of HK\$0.10 each	<b>184,994</b>	184,944

A summary of the movement in the issued capital of the Company is as follows:

	<b>No. of shares</b>	<b>HK\$'000</b>
At 1 January 2003	1,849,437,000	184,944
Share options exercised	506,000	50
At 30 June 2003	<b>1,849,943,000</b>	<b>184,994</b>

## 14. Related Party Transactions

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

	<b>Six months ended</b>	
	<b>30.6.2003</b>	30.6.2002
	<b>HK\$'000</b>	HK\$'000
Skillful Assets Limited ( <i>Note a &amp; b</i> )		
– Rental paid thereto ( <i>Note c</i> )	<b>498</b>	549
Mr. Ou Yaping ( <i>Note a</i> )		
– Convertible note interest paid thereto ( <i>Note d</i> )	–	287
Enerchina Holdings Limited ( <i>Note a</i> )		
– Interest received therefrom ( <i>Note e</i> )	<b>2,640</b>	907

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2003

## 14. Related Party Transactions (Continued)

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.
- e. The interest income was determined in accordance with the disposal agreement.

A subsidiary of the Group provided several guarantees to Fuhuade, a subsidiary of Enerchina Holdings Limited, which is an associate of the Group amounting to RMB69 million. The guarantee is for a term of six years plus two years thereafter.

## 15. Contingent Liabilities

	<b>THE GROUP</b>	
	<b>30.6.2003</b>	31.12.2002
	<b>HK\$'000</b>	<b>HK\$'000</b>
Guarantees given to banks as security for the mortgage loans arranged for the purchasers of the Group's properties	<b>28,776</b>	254,546
Corporate guarantee given to a bank to secure bank borrowings granted to an associate	<b>365,996</b>	279,701
	<b>THE COMPANY</b>	
	<b>30.6.2003</b>	31.12.2002
	<b>HK\$'000</b>	<b>HK\$'000</b>
Corporate guarantee given to a bank to secure general banking facilities granted to a subsidiary	<b>514,500</b>	514,500

# Notes to the Condensed Financial Statements

For the six months ended 30 June 2003

## 16. Capital Commitments

	<b>30.6.2003</b>	31.12.2002
	<b>HK\$'000</b>	HK\$'000
Commitments in respect of properties under development:		
– authorised but not contracted for	<b>594,567</b>	1,429,652
– contracted for but not provided in the financial statements	<b>871,379</b>	110,607
	<b>1,465,946</b>	1,540,259
Commitments in respect of interest in subsidiaries contracted for but not provided in the financial statements	<b>12,161</b>	87,618
	<b>1,478,107</b>	1,627,877

## 17. Pledge of Assets

The Group has pledged its land held under medium term leases included in the properties held for sale, having a net book value of approximately HK\$388,030,000 (as at 31 December 2002: HK\$388,030,000), 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 of approximately HK\$8,142,000 (as at 31 December 2002: HK\$8,135,000) to secure bank loans granted to the subsidiaries of the Company.