



## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2004

### 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

### 2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2003.

### 3. SEGMENT INFORMATION

For management purposes, the Group is organised into two operating divisions – electricity supplies and investment holding. The property leasing division ceased to operate in 2003.

#### Business segments

Six months ended 30 June 2004

	<b>Electricity supplies</b>	<b>Investment holding</b>	<b>Consolidated</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	<u>364,675</u>	–	<u>364,675</u>
Segment result	<u>65,027</u>	–	<u>65,027</u>
Interest income			478
Unallocated corporate expenses			<u>(6,092)</u>
Profit from operations			<u>59,413</u>

Six months ended 30 June 2003

	Continuing operations		Discontinued operation	Consolidated HK\$'000
	Electricity supplies HK\$'000	Investment holding HK\$'000	Property leasing HK\$'000	
Turnover	187,786	—	—	187,786
Segment result	19,709	1,818	(10)	21,517
Interest income				310
Unallocated corporate expenses				(5,052)
Profit from operations				16,775

#### 4. DEPRECIATION AND AMORTISATION

During the period, depreciation of HK\$24,987,000 (1.1.2003 to 30.6.2003: HK\$17,436,000) was charged in respect of the Group's property, plant and equipment and amortisation of HK\$5,591,000 (1.1.2003 to 30.6.2003: HK\$3,716,000) was charged in respect of the goodwill arising from acquisition of subsidiaries.

#### 5. TAXATION

	THE GROUP	
	30.6.2004 HK\$'000	30.6.2003 HK\$'000
Current tax:		
PRC income tax	(4,458)	—
Taxation attributable to the Company and its subsidiaries	(4,458)	—

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



Pursuant to relevant laws and regulations in the People's Republic of China (the "PRC"), one of the Group's subsidiaries operating in the PRC is entitled to an exemption from PRC Enterprise Income Tax for the first two years commencing from their first profit making year of operations and thereafter, that subsidiary is entitled to a 50% relief from PRC Enterprise Income Tax for the following six years. The reduced tax rate for the relief period is 7.5%.

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

**6. DIVIDENDS**

The directors do not declare an interim dividend (1.1.2003 to 30.6.2003: nil).

**7. 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>30.6.2004</b>	30.6.2003
	<b>HK\$'000</b>	HK\$'000
<b>Earnings</b>		
Net profit for the purposes of basic and diluted earnings per share	<b>29,868</b>	5,067
<b>Number of shares</b>		
	<b>30.6.2004</b>	30.6.2003
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,933,087,279</b>	488,823,695
Effect of dilutive share options	<b>6,676,427</b>	N/A
Weighted average number of shares for the purpose of diluted earnings per share	<b>1,939,763,706</b>	488,823,695

The weighted average number of ordinary shares for the purposes of basic earnings per share has been adjusted for the open offer during the period.

No diluted earnings per share had been calculated for the prior period as the exercise price of the Company's options was higher than the average market price for shares in that period.

#### 8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent HK\$406,342,000 (1.1.2003 to 30.6.2003: HK\$39,509,000) on acquisition of property, plant and equipment.

#### 9. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables are trade receivables totalling HK\$123,723,000 (31.12.2003: HK\$76,879,000), the aged analysis of which is as follows:

	<b>30.6.2004</b>	31.12.2003
	<b>HK\$'000</b>	HK\$'000
Aged:		
0 to 60 days	<b>123,723</b>	76,879

#### 10. PLEDGED OF ASSETS

	<b>30.6.2004</b>	31.12.2003
	<b>HK\$'000</b>	HK\$'000

To secure the general banking facilities granted to the Group:

Bank deposits	<b>83,372</b>	13,861
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Details of pledge of assets in respect of bank borrowings are set out in note 12 to the condensed financial statements.



**11. TRADE AND OTHER PAYABLES**

Included in trade and other payables are trade payables of HK\$87,121,000 (31.12.2003: HK\$24,650,000), the aged analysis of which is as follows:

	<b>30.6.2004</b>	31.12.2003
	<b>HK\$'000</b>	HK\$'000
Aged:		
0 to 60 days	<b>86,584</b>	22,882
61 to 120 days	<b>537</b>	–
Over 180 days	–	1,768
	<b>87,121</b>	24,650

**12. SECURED BANK BORROWINGS**

During the period, the Group borrowed and repaid bank loans of HK\$761,132,000 and HK\$35,791,000 respectively. The loans bear interest at market rates and are repayable in one to six years.

At the balance sheet date, an aggregate amount of RMB870,000,000 (equivalent to approximately HK\$813,000,000) and US\$33,300,000 (equivalent to approximately HK\$259,000,000) were secured by the plant and machinery and leasehold land and buildings of the Group with a carrying value of HK\$914,904,000 and HK\$92,410,000 respectively.

### 13. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2004	2,500,000,000	25,000
Increase of authorised share capital ( <i>note</i> )	2,500,000,000	25,000
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At 30 June 2004	5,000,000,000	50,000
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Issued and fully paid:		
At 1 January 2004	762,762,968	7,628
Open offer – March 2004 ( <i>note</i> )	1,525,525,936	15,255
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At 30 June 2004	2,288,288,904	22,883
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*Note:*

Pursuant to a resolution passed at the special general meeting held on 29 March 2004, the share capital of the Company was changed as follows:

- The authorised share capital of the Company was hereby increased from HK\$25,000,000 to HK\$50,000,000 by the creation of 2,500,000,000 additional ordinary shares of HK\$0.01 each.
- The issue by way of an open offer of 1,525,525,936 new ordinary shares of HK\$0.01 each of the Company at HK\$0.4 per share on the basis of two offering shares for every existing share held.



**14. 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:

	<b>30.6.2004</b>	31.12.2003
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>4,940</b>	4,940
In the second to fifth year inclusive	<b>7,391</b>	9,861
	<b>12,331</b>	14,801

**15. RELATED PARTY TRANSACTIONS**

(a) During the period ended 30 June 2004, the Group paid office expenses of HK\$394,000 (1.1.2003 to 30.6.2003: HK\$394,000) to Sinolink Worldwide Holdings Limited ("Sinolink"), a substantial shareholder of the Company. The office expense is determined with reference to actual costs incurred.

(b) The Group incurred an interest expense of HK\$152,000 (1.1.2003 to 30.6.2003: HK\$2,640,000) in respect of the shareholder's loan from Sinolink. The shareholder's loan has been fully repaid during the period.

**16. CAPITAL COMMITMENTS**

	<b>30.6.2004</b>	31.12.2003
	<b>HK\$'000</b>	HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements	<b>332,534</b>	353,118