

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2001

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1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants, except that in this first year of implementation of the Standard, as permitted by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, no comparative amounts have been presented for either:

- the condensed consolidated statement of recognised gains and loss; or
- the condensed consolidated cash flow statement

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 2000, except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new/revised accounting policies.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP No. 9 (Revised) Events after the Balance Sheet Date, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the financial statements.

Goodwill

In the current period, the Group has adopted SSAP No. 30 Business Combinations and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1 January 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1 January 2001 will be credited to income at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions after 1 January 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1 January 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3. SEGMENTAL INFORMATION

	Turnover		Contributions to profit from operations	
	Six months ended		Six months ended	
	30.6.2001 HK\$'000	30.6.2000 HK\$'000	30.6.2001 HK\$'000	30.6.2000 HK\$'000
Sales of crude oil, petroleum and petrochemical products	3,082,453	4,689,128	32,987	72,140
Crude oil jetty services rendered	149,313	146,762	101,474	82,690
	<u>3,231,766</u>	<u>4,835,890</u>	<u>134,461</u>	<u>154,830</u>

Substantially all of the Group's activities are based in the People's Republic of China (the "PRC"), including Hong Kong and Macau, and more than 90% of the Group's turnover and contribution to profit from operations are derived from the PRC for both periods.

4. TAXATION

	Six months ended	
	30.6.2001 HK\$'000	30.6.2000 HK\$'000
The (credit) charge comprises:		
Hong Kong Profits Tax calculated at 16% on the estimated assessable profit for the period	2,893	5,432
PRC income tax		
Current period	2,853	8,813
Overprovision in prior periods	(15,111)	—
	<u>(12,258)</u>	<u>8,813</u>
	<u>(9,365)</u>	<u>14,245</u>

PRC income tax is calculated at the applicable rates prevailing.

There was no significant unprovided deferred taxation for the period or at the balance sheet date.

5. DIVIDENDS

The directors have determined that an interim dividend of HK\$1.5 cents per share (2000: HK\$1.5 cents) should be paid to the shareholders of the Company.

6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of approximately HK\$111,343,000 (2000: HK\$101,644,000) and on 1,036,830,000 shares (2000: weighted average number of 1,037,436,758 shares) in issue during the period.

Diluted earnings per share has not been presented because there were no dilutive potential ordinary shares in issue for both periods.

7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

During the period, the Group spent approximately HK\$40,288,000 (HK\$28,412,000 for the six months ended 30 June 2000) on property, plant and equipment.

During the period, depreciation of approximately HK\$35,693,000 (HK\$33,300,000 for the six months ended 30 June 2000) was charged in respect of the Group's property, plant and equipment.

8. TRADE AND OTHER RECEIVABLES

The Group generally allows an average of 30 days to its crude oil trading customers and petrol station customers who satisfy credit evaluation. An aged analysis of trade and other receivables is as follows:

	30.6.2001 <i>HK\$'000</i>	31.12.2000 <i>HK\$'000</i>
0-30 days	47,031	22,389
31-90 days	2,549	–
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Trade receivables	49,580	22,389
Other receivables	54,620	31,357
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	104,200	53,746
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9. TRADE AND OTHER PAYABLES

An aged analysis of trade and other payables is as follows:

	30.6.2001 HK\$'000	31.12.2000 <i>HK\$'000</i>
0-30 days	192,121	9,330
31-90 days	–	819
Trade payables	192,121	10,149
Other payables	110,549	127,905
	302,670	138,054

10. BANK BORROWINGS

During the period, the Group made repayment of bank borrowings approximately HK\$54,712,000.

11. CAPITAL COMMITMENTS

	30.6.2001 HK\$'000	31.12.2000 <i>HK\$'000</i>
Capital expenditure in respect of the construction of the jetty facilities:		
Contracted for but not provided in the financial statements	8,756	20,770
Authorised but not contracted for	–	409
	8,756	21,179

12. RESERVES

	Share premium <i>HK\$'000</i>	Dividend reserve <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	General reserves <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2000	334,189	–	23,444	45,596	(2,426)	378,527	779,330
Shares repurchased and cancelled	(332)	–	–	–	–	–	(332)
Transfer	–	20,737	–	22,635	–	(22,635)	20,737
Goodwill arising on acquisition of subsidiaries	–	–	–	(4,880)	–	–	(4,880)
Net profit for the year	–	–	–	–	–	181,645	181,645
Dividends	–	–	–	–	–	(36,289)	(36,289)
At 31 December 2000	333,857	20,737	23,444	63,351	(2,426)	501,248	940,211
Net profit for the period	–	–	–	–	–	111,343	111,343
Dividends	–	(20,737)	–	–	–	–	(20,737)
Exchange realignment	–	–	–	–	440	–	440
At 30 June 2001	333,857	–	23,444	63,351	(1,986)	612,591	1,031,257