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# Corporate Information

## BOARD OF DIRECTORS

### Executive directors

Mr. Ou Yaping

(Chairman)

Mr. Tang Yui Man, Francis

(Chief Executive Officer)

Mr. Law Sze Lai

Mr. Chen Wei

### Independent non-executive directors

Mr. Cheung Wing Yui

Mr. Tsang Yu Chor, Patrick

Mr. Xin Luo Lin

## COMPANY SECRETARY

Mr. Tang Yui Man, Francis

## REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

25th Floor, Vicwood Plaza

199 Des Voeux Road Central

Hong Kong

Telephone : (852) 2851 8811

Fax : (852) 2851 0970

Websites: <http://www.sinolinkhk.com>

<http://www.irasia.com/listco/hk/sinolink>

## AUDITORS

Deloitte Touche Tohmatsu

Certified Public Accountants

26th Floor

Wing On Centre

111 Connaught Road Central

Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

19th Floor, Hopewell Centre

183 Queen's Road East

Hong Kong

## LEGAL ADVISERS

(As to Hong Kong Law)

Woo, Kwan, Lee & Lo

Tsang, Chan & Wong

(As to Bermuda Law)

Conyers Dill & Pearman

(As to the PRC Law)

Haiwen & Partners

## PRINCIPAL BANKERS

Bank of China, Hong Kong Branch

Bank of China, Shenzhen Branch

Nanyang Commercial Bank,

Shenzhen Branch

China Construction Bank,

Luohu Branch, Shenzhen

China Merchants Bank,

Dongmen Sub-branch, Shenzhen

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of Sinolink Worldwide Holdings Limited (the “Company”) will be held at Bowen Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway Road, Hong Kong on Tuesday, 27 May, 2003 at 10:30 a.m. for the following purposes:-

1. to receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 December, 2002;
2. to re-elect directors and to authorise the board of directors to fix their remuneration;
3. to re-appoint auditors and to authorise the board of directors to fix their remuneration; and
4. to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

## ORDINARY RESOLUTIONS

### (A) “THAT:-

- (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase shares of HK\$0.10 each in the share capital of the Company on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which may be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution and the said approval shall be limited accordingly;
- (c) for the purposes of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:-
  - (i) the conclusion of the next annual general meeting of the Company;

## Notice of Annual General Meeting

- (ii) the expiration of the period within which the next annual general meeting of the Company as required by the bye-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable laws of Bermuda to be held; or
- (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution.”

(B) “THAT:–

- (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase warrants issued by the Company carrying the right to subscribe for shares in the capital of the Company on the Stock Exchange or on any other stock exchange on which the shares of the Company may be listed and is recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate amount of subscription rights attached to the warrants to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the total amount of such rights attached to the warrants of the Company in issue at the date of the passing of this resolution and the said approval shall be limited accordingly;
- (c) for the purposes of this resolution,

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:–

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company as required by the bye-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable laws of Bermuda to be held; or

## Notice of Annual General Meeting

- (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution.”

(C) “THAT:–

- (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make and grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require shares to be allotted be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the directors of the Company during the Relevant Period to make and grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require shares to be allotted after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined) or (ii) an issue of shares pursuant to the exercise of rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes or other securities of the Company or (iii) an issue of shares upon the exercise of subscription rights under any option scheme or similar arrangement of shares or rights to acquire shares of the Company or (iv) an issue of shares pursuant to any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the memorandum of association and the bye-laws of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution and the said approval shall be limited accordingly; and

# Notice of Annual General Meeting

- (d) for the purposes of this resolution,

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:-

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company as required by the bye-laws of the Company or the Companies Act 1981 of Bermuda or any other applicable laws of Bermuda to be held; or
- (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution; and

“Rights Issue” means an offer of shares or issue of options, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the directors of the Company to holders of shares of the Company, or any class of shares of the Company, whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their holdings of such shares (or, where appropriate such other securities) as at that date (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

# Notice of Annual General Meeting

- (D) “THAT the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with additional shares in the Company pursuant to Ordinary Resolution No.4(C) set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution No.4(A) set out in the notice convening this meeting, provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this resolution.”

By Order of the Board  
Tang Yui Man, Francis  
Company Secretary

Hong Kong, 23 April, 2003

Registered Office:  
Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

Head Office and principal place of business in Hong Kong:  
25th Floor, Vicwood Plaza  
199 Des Voeux Road Central  
Hong Kong

# Notice of Annual General Meeting

## Notes:

- (i) Any member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares in the capital of the Company may appoint more than one proxy. A proxy need not be a member of the Company.
- (ii) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
- (iii) To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the head office and principal place of business of the Company in Hong Kong at 25th Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting.
- (iv) In the case of joint holders of a share, if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.



# Group Structure

As at the date of this report



\*Note: Reflected full conversion of convertible note

# Chairman's Statement

On behalf of the board of directors (the "Board") of Sinolink Worldwide Holdings Limited ("Sinolink" or the "Company"), I am pleased to announce that the Company and its subsidiaries (collectively the "Group") achieved exceptional results for the year 31 December 2002.

## WAR AND SARS

The war led by the United States against Iraq has transformed the global economic landscape in various dimensions. What lies ahead in post-war times is but anybody's guess. With peace gone agony is afflicting the world. Worse is the contagion of severe acute respiratory syndrome (SARS), which is dealing a further blow to the global economies in particular Hong Kong and the People's Republic of China (the "PRC"). To confront this atrocious environment requires great courage and affection, and I sincerely wish all our staff and shareholders good health and felicity.



## REVIEW OF 2002

The Group's "proactive development plan" set in early 2002 has come to rewarding fruition. While successfully maintaining a strong and premium brand name, Sinolink further expanded its land bank by sensible land acquisitions with due regards to the risks involved. Panva Gas Holdings Limited ("Panva Gas"), a company listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of



Hong Kong Limited (the "Stock Exchange") continued to enjoy high growth and attracted a great number of investors including Hutchison Whampao Limited ("Hutchison"). Enerchina Holdings Limited ("Enerchina") (formerly known as SilverNet Group Limited), a company listed on the main board of the Stock Exchange, successfully completed a HK\$100 million rights issue after it was acquired by the Group, which laid a solid foundation for the further expansion of its electricity generation business. In view of the continuing rapid growth of the PRC economy, demand for electricity in the PRC is believed to be huge in the coming years.

# Chairman's Statement

## CLEAR CORPORATE STRUCTURE AND ENHANCED VALUE

The spin-off of Panva Gas and the acquisition of Enerchina gave further proof that the Group has become a consolidated enterprise apart from being a property development company. What is noteworthy to investors is that on 3 March 2003 HIS Services Limited added the Group to the 200-stock Hang Seng Composite Index and the 86-stock Hang Seng Mainland Composite Index, which facilitates the Group's further expansion in the future.

Being a leader in the PRC's gas fuel sector, Panva Gas has a seasoned management team and an outstanding track record. In April 2003, Panva Gas issued convertible bonds in an aggregate principal amount of US\$50 million, which was arranged by Morgan Stanley & Co. International Limited and rated BB+ by international credit agency Standard & Poor's. Panva Gas is proud and honored being the first GEM-listed company with a debt issue that received the rating.



Enerchina will further expand in the PRC's power sector now that its business reorganization has been largely completed. It is currently seeking opportunities to cooperate with utility companies in the PRC. As utilities have become the favorites of capital markets in recent times, we believe that by taking more active measures we can further enhance the shareholder's value of Enerchina.

Sinolink remains as a distinguished brand in the Shenzhen real estate sector. We firmly believe that instead of groping for expansion opportunities in other PRC cities we should focus our property activities on the Shenzhen market. The Group's satisfactory returns derived from Shenzhen proved that this strategy has been correct.



# Chairman's Statement

## HUMAN RESOURCES DEVELOPMENT

In order to prepare for its growth in the next five years, the Group continues to nurture and develop talents for its three major businesses comprising real estate development, gas fuel operation and electricity generation. Recently, Panva Gas has successfully formed an alliance of a student training program from Master of Business Administration courses of a renowned university in the PRC where student would work for Panva Gas during the last year of their course, which opens a new module for its nurturing and development of talents. Staff proficiency has always been an integral attribute to the Group's success.



## OPPORTUNITIES

With the Hong Kong economy going further down, more companies are facing greater difficulties. This provides a good timing for the Group to utilize its strong financial resources and unique management expertise to seek acquisition opportunities. Merger and acquisition are among the ways through which the Group can grow and expand.

Panva Gas will also utilize its strong cash resources to accelerate its acquisition and investment so as to maintain a leading position in the PRC's gas fuel sector. With a growing market share, Panva Gas will be able to multiply its brand value.

## APPRECIATION

The Group is deeply proud of its management team, whose members are the Group's wealth and the shareholders' treasury. I would like to take this opportunity to once again extend my sincerest gratitude to them for their remarkable contributions and devoted efforts.

Ou Yaping  
Chairman

Hong Kong, 23 April 2003

# Chief Executive Officer's Report

## BUSINESS REVIEW AND PROSPECTS

For the year ended 31 December 2002, the Group recorded a turnover of approximately HK\$1,525,406,000, representing a slight decrease of approximately 0.1% when compared to last year. Gross profit increased to approximately HK\$368,503,000 for the year ended 31 December 2002, a substantial increase of approximately 37.10% when compared to last year. The increase in gross profit was mainly attributable to the significant progress of the Group's gas fuel business, in particular the Group's city piped gas business, and the significant increase of the Group's market share in the retail sector. Net Profit increased significantly to HK\$294,429,000 representing an increase of approximately 1.52 times from last year.

### Property Development

The Group recorded a turnover of approximately HK\$311,997,000 for the property development business during the year ended 31 December 2002, which is approximately the same as last year. The Group sold a total floor area of approximately 40,000 square metres during the year.

The turnover was mainly derived from the sale of Sinolink Garden Phase Three, The Mandarin House, which accounted for approximately 77.3% of total property sales for the year. The Mandarin House obtained occupancy permit in November 2002.



During the year, the Group has commenced the construction of Sinolink No.8 (百仕達8號), a property development situated within the grounds of the Sinolink Garden. Sinolink No. 8 is a 230 units development covering a total gross floor area ("GFA") of 33,000 square metres and a 2,500 square metres commercial development. Pre-sales commenced on 18 October 2002 and the property is expected to be completed in December 2003.

Mangrove West Coast completed its initial design phase and commenced construction in December 2002. Mangrove West Coast is a over 1,300 units project covering a GFA of approximately 255,300 square metres, a club house (GFA of approximately 3,000 square metres), and a kindergarten (GFA of approximately 3,000 square metres). It is expected that the foundation works and the construction of the underground chambers will be completed in 2003.



# Chief Executive Officer's Report



Sinolink Garden Phase Four, The Oasis, commenced construction at the end of 2002. The foundation works and the underground chambers are currently under construction. The Oasis has a total site area of 94,176 square metres and a GFA of approximately 387,800 square metres. It is estimated that the total percentage of completion will reach approximately 45% by the end of 2003.

During the year, the Group was awarded a tender for a piece of land in one of China's up and coming resort area, Dameisha (大梅沙) in Shenzhen. The cost of the land was approximately RMB50,168,000 for a total site area of approximately 18,600 square metres with a GFA of approximately 22,000 square metres. The project is expected to house a 130 rooms five star resort hotel and a 7,000 square metres shopping complex and is expected to commence construction in 2003.

The Shenzhen economy maintained a healthy growth in 2002, with gross domestic product grew by 15% to RMB223.9 billion. Its real estate sector continued to record a faster growth whilst the residential market achieved solid and sustained development. Sales and purchase was particularly strong in the second and third tier residential segments, where prices saw steady rise albeit the growth was 0.6 percentage points less than last year. Significant decrease was seen in the floor area of new works, which indicated that there will be a stabling supply of commodity units in the coming future.

Corollary with the warning issued by the State Development Planning Commission, the regulatory works of the Ministry of Construction, and the credit control imposed by the People's Bank of China, the Shenzhen municipal government also tightened its control and regulation of the real estate market. This was reflected by the more stringent control on land sales since the second half of 2002.

With 24-hour border crossing at Huanggang took effect on 27 January 2003, the relationship between Shenzhen and Hong Kong became closer. The arrangement will enhance the traffics flow between the two, facilitate their economic growths, and stimulate cross-border consumptions, which to a certain extent will benefit the development of the Shenzhen real estate market.



# Chief Executive Officer's Report

In 2003, the Group has a number of projects on hand and is planning to increase its land bank by between 300,000 to 400,000 square metres in 2003.

## Gas Fuel Business

For the year ended 31 December 2002, the Group's Gas Fuel business, operated by Panva Gas, recorded a turnover of approximately HK\$1,150,322,000 representing an increase of approximately 14% compared to last year. The gross profit margin increased substantially from 12.7% for the year ended 31 December 2001 to 22.8% for the year ended 31 December 2002. The increase in gross profit margin is a direct reflection of the Group's dedication in expanding the higher return retail business and the significant progress of the Group's city piped gas business.



Through dedication and hard work from the management team of Panva Gas the end-user household customers of Panva Gas are now over 1,500,000 households, an increase of approximately 30.4% when compared to last year. The continual growth in end-user household customers facilitated Panva Gas's strategic move to increase profitability and reflected the value growth of the Panva Gas's brand name. It laid a solid foundation for Panva Gas to further increase its market share and profitability as well as its influence and leverage in the marketplace.

During the year, Hutchison through a wholly-owned subsidiary Hutchison International Limited, acquired 6.4% interest in Panva Gas and subscribed for an exchangeable note for a total consideration of HK\$250 million. Through the transaction, Hutchison is now the second largest shareholder of Panva Gas. The investment reflects Hutchison's confidence in the management team and its strategy towards the gas fuel market in the PRC.

In developing the piped gas provision business, Panva Gas has spent much of its efforts on the construction of piped gas stations, main pipelines, and branch gas pipeline networks, establishing a network to supply liquefied petroleum gas ("LP Gas" or "LPG") and natural gas directly to the homes of the end-user customers. Panva Gas has achieved major breakthroughs, with three natural gas subsidiaries and one LP Gas pipeline enterprise already in operation. It is currently in discussion with more than 25 city gas pipeline network development projects in the PRC and has signed letters of intent with 13 cities.

# Chief Executive Officer's Report

Panva Gas has entered into an arrangement with the Bank of China, Shenzhen Branch ("Shenzhen BOC") under which Shenzhen BOC agreed to provide a banking facility to Panva Gas up to RMB6 billion to finance its investments in city pipe gas projects in the PRC. The banking facility reflects the business and financial strength of the Group along with the huge market potential of the gas industry.

## Electricity Generation

The disposal of the Group's electricity business was completed in May 2002 and prior to the disposal the electricity business recorded a turnover of approximately HK\$40,474,000, which is in line with that of last year. However, for the year ended 31 December 2002, the electricity business recorded an operating profit of approximately HK\$14,301,000, representing a slight increase from last year.



The electricity generation business is now carried out by the Group's associated company, Enerchina. The Group now has a clearly defined structure with the Company focusing on property development and investment holding, Panva Gas focusing on the gas fuel business, and Enerchina focusing on the electricity generation business.

Due to certain reorganizations conducted by Enerchina to rationalize its group structure, a loss (after netting off the profit generated from the electricity generation business) of approximately HK\$22,749,000 was shared by the Group for the year ended 31 December 2002.

With the new generator unit expected to commence operation in the second quarter of 2003, the installed capacity of the power plant of Enerchina will increase to 285 megawatts. This will lay a solid foundation for Enerchina to target for higher profit and to sustain solid growth. Furthermore, the state-approved liquefied natural gas terminal and distribution facility will be situated at some 10 kilometres from the power plant, which will greatly facilitate the power plant in switching to natural gas fuel. The continue growth in the PRC's electricity demand also provides a favourable background for Enerchina to further expand its electricity output capacity to a level of 1,000 megawatts, and the company is now conducting feasibility studies towards this target. The structural reform in the PRC's power sector and the setting up of a new regulatory framework in 2003 provide a solid operating environment for the development of power business. Given the numerous opportunities in the PRC's power sector, Enerchina will be able to capitalise on its strengths to grasp the opportunities and to meet the challenges ahead.



# Chief Executive Officer's Report

## FINANCIAL POSITION

The Group's total borrowings decreased slightly from approximately HK\$920,960,000 as at 31 December 2001 to approximately HK\$919,079,000 as at 31 December 2002. The proportion of borrowings due within one year to total borrowings decreased from approximately 44.52% to approximately 1.6% and a long term liabilities to equity ratio of 57.3%. Borrowings are mainly used to finance the property development projects of the Group and are all borrowed at fixed interest rates.

Total assets pledged in securing these loans have a net book value of approximately HK\$8,135,000 as at 31 December 2002. Bank borrowings of the Group are denominated in RMB and as the entire operation of the Group is carried out in the PRC, all receipts and payments in relation to operation are denominated in RMB. In this respect the Group is not exposed to any foreign exchange exposure risk. No financial instruments were used for hedging purpose.

The Group's cash and cash equivalents amounted to approximately HK\$470,641,000 as at 31 December 2002 are mostly denominated in RMB, Hong Kong dollars and US dollars.



## Contingent Liabilities

On 17 May 1996, a legal claim in the amount of approximately HK\$13,585,000 was brought against Sinolink Worldwide (HK) Company Limited ("Sinolink Worldwide (HK)") by a third party for charter hire charges overdue. After consultation with the legal adviser in relation to this litigation, the claim would not have any material adverse effect on the financial position of the Group. In addition, an indemnity has been given by the controlling shareholder of the Company to the Group in respect of the claim. No provision for loss has therefore been made by the Group in respect of the outstanding claim.

Guarantees given to banks as security for the mortgage loans arranged for the purchases of the Group's properties amounted to approximately HK\$254,546,000 as at 31 December 2002 (2001: HK\$122,026,000).

# Chief Executive Officer's Report

## Employees and Remuneration Policies

As at 31 December 2002, the Group had 2,688 full time employees, of which approximately 99% are located in the PRC.

The Group remunerated its employees mainly based on industry practices and individual's performance and experience. On top of regular remuneration, discretionary bonus and share option may be granted to eligible staff by reference to the Group's performance as well as individuals' performance. Other benefits, such as medical and retirement benefits, are also provided.

## Post Balance Sheet Date Events

On 6 March 2003, Enerchina completed a rights issue exercise of three right shares for every two existing shares held. Smart Orient Investments Limited, a wholly owned subsidiary of the Company, acted as the underwriter of the rights issue. A total of 5,525,888,349 shares were issued as a result raising approximately HK\$106,000,000. Upon completion of the rights issue, the Group increased its interests in Enerchina from 29.99% to 40.44%.

On 23 April 2003, Panva Gas issued Convertible Bonds due 2008 in the aggregate amount of US\$50 million (the "CB"). The conversion price of the CB was fixed at HK\$3.9169 per share representing a conversion premium of approximately 20% to the volume weighted average price of HK\$3.2641 per share for 11 April 2003, the date on which the conversion price was fixed. The CB will bear interests of 2% per annum payable semi-annually in arrears each year. The CB is listed on the Luxembourg Stock Exchange.



## APPRECIATION

On behalf of the Board, I would like to express our gratitude to all our staff for their devoted efforts and hard work during the year.

By Order of the Board  
**Tang Yui Man, Francis**  
Chief Executive Officer

Hong Kong, 23 April 2003

## Directors' Profile

### EXECUTIVE DIRECTORS

**Mr. Ou Yaping**, aged 41, was appointed as the chairman of the Company in December 1997. Mr. Ou is the founder and the controlling shareholder of the Group. He is also the chairman and executive director of the Group's subsidiary, Panva Gas. He holds a Bachelor of Engineering Management degree from the Beijing Institute of Technology, the PRC and is also the vice chairman of the board and a part-time professor of that institute. He was previously employed by a number of trading companies and investment companies in the PRC and Hong Kong and is presently a director of China Merchants Bank of the PRC. Mr. Ou has over 17 years of experience in investing, trading and corporate management. Mr. Ou is responsible for the overall business development, management and strategic development of the Group.

**Mr. Tang Yui Man, Francis**, aged 40, was appointed as the chief executive officer in 2002 and a director of the Company in September 2001. Mr. Tang is also an executive director of Panva Gas. He graduated with a Bachelor degree in computer studies from the University of Victoria in Canada and with a Master of Business Administration degree from The City University of New York in the United States. Mr. Tang is a qualified accountant in the United States and has numerous years of experience in management, accounting and finance. Mr. Tang is responsible for corporate planning, strategic development and financial planning and management of the Group and Panva Gas.

**Mr. Law Sze Lai**, aged 60, was appointed as a director of the Company in December 1997. He is also an executive director of Shenzhen Sinolink Enterprises Co., Ltd. He has been employed by a number of real estate companies in the PRC. He is a qualified economist in the PRC and has over 15 years of experience in property development. Mr. Law joined the Group in 1992 and is responsible for the coordination and administration of the real estate business of the Group.

**Mr. Chen Wei**, aged 41, was appointed as a director of the Company in December 1997. Mr. Chen is also the managing director of Panva Gas. He holds a Bachelor of Engineering Management degree from the Beijing Institute of Technology, the PRC. He has been employed by a number of large organisations and has over 17 years of experience in engineering, business administration, market development and management. Mr. Chen joined the Group in February 1992 and is responsible for the operation and administration of the power generation business and the gas fuel business.

## Directors' Profile

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Cheung Wing Yui**, aged 53, was appointed as an independent non-executive director of the Company in September 1999. He received a Bachelor of Commerce degree in accounting from the University of New South Wales, Australia. Mr. Cheung is a certified practicing accountant of CPA Australia (formerly known as the Australian Society of Certified Practising Accountants). He has been a practising solicitor in Hong Kong since 1979 and is a senior partner of Messrs. Woo, Kwan, Lee & Lo Solicitors. He has been admitted as a solicitor in the United Kingdom and as an advocate and solicitor in Singapore. Mr. Cheung is a director of eight other publicly listed companies in Hong Kong.

**Mr. Tsang Yu Chor, Patrick**, aged 51, was appointed as an independent non-executive director of the Company in April 1998. He is a senior partner of Tsang, Chan and Wong, Solicitors & Notaries. He is a practising solicitor in Hong Kong and is admitted as a solicitor of England, a solicitor and barrister in Victoria, Australia, a notary public in Hong Kong and an appointed attesting officer of the PRC.

**Mr. Xin Luo Lin**, aged 53, was appointed as an independent non-executive director of the Company in June 2002. He postgraduated from the Beijing University in the PRC and is the Justice of Peace in New South Wales of Australia. Mr. Xin also holds directorships in a number of companies in Hong Kong.

# Directors' Report

The directors present the annual report and the audited financial statements of the Group for the year ended 31 December 2002.

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

### Executive directors:

Mr. Ou Yaping (Chairman)

Mr. Tang Yui Man, Francis (Chief Executive Officer)

Mr. Law Sze Lai

Mr. Chen Wei

### Independent non-executive directors:

Mr. Cheung Wing Yui

Mr. Tsang Yu Chor, Patrick

Mr. Xin Luo Lin (appointed on 7 June 2002)

Mr. Liang Xiaoting (resigned on 24 May 2002)

In accordance with the Company's Bye-Laws, Messrs. Xin Luo Lin, Chen Wei and Cheung Wing Yui retires by rotation at the forthcoming annual general meeting and, being eligible, offers themselves for re-election.

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-Laws.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 17 and 18 respectively to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2002 are set out in the consolidated income statement on page 37 of the annual report.

An interim dividend of HK\$0.03 per share amounting to HK\$55,483,110 was paid to the shareholders during the year. The directors do not recommend the payment of a final dividend.

# Directors' Report

## PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group and of the Company are set out in note 14 to the financial statements.

No professional valuation of the leasehold land and buildings was carried out at 31 December 2002 as, in the opinion of directors, the carrying value of the leasehold land and building was not materially different from the open market value at 31 January 2001.

## SHARE CAPITAL AND WARRANTS

Details of movements during the year in the share capital and outstanding warrants of the Company are set out in note 28 to the financial statements.

A bonus of warrants was made on the basis of one warrant for every ten existing shares held on 24 May 2002. Each warrant entitled its holder to subscribe in cash at a price of HK\$1 for one ordinary share of the Group, at any time from the date of issue to 29 November 2003.

During the year, no registered holders of warrants exercised their rights to subscribe for ordinary shares. At the balance sheet date, the Company had outstanding warrants of HK\$184,877,700. Exercise in full of such warrants would result in the issue of 184,877,700 additional shares.

## USE OF PROCEEDS FROM ISSUE OF NEW SHARES

Pursuant to the prospectus issued by the Company dated 26 May 1998 (the "Prospectus"), the Company made an initial public offering through placing and new issue of 380,000,000 shares in June 1998 and the net proceeds were approximately HK\$412 million.

As disclosed in the 1998, 1999, 2000 and 2001 annual reports, approximately HK\$312 million has been applied in line with the proposed application as set out in the Prospectus. Details of the application of the remaining amount are set out below:

	HK\$
Remaining balance	<u><u>–</u></u>
Application of funds	
– Acquisition of a piece of land in Dameisha, Shenzhen	46,930,000
– Construction of Mangrove West Coast and Sinolink Garden Phase Four	53,070,000
Funds retained	<u><u>–</u></u>
	<u><u>100,000,000</u></u>

## Directors' Report

The remaining balance of HK\$100,000,000 as set out in the Prospectus were originally retained for the transformation of outdoor power transformer stations and overhead transmission cables into indoor power transformer stations and underground transmission cables at Yinhu, however, based on actual requirement of the Group's property development business and the change on the use of proceeds has not changed in nature, management decided that the change in the application of proceeds is more appropriate.

### PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

### DIRECTORS' INTERESTS IN SHARES AND WARRANTS

#### (i) Shares and warrants

At 31 December 2002, the interests of the directors and their associates in the share capital and warrants of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of Director	Number of ordinary shares held				Total
	Personal interest	Family interest	Corporate interest	Other interest	
Mr. Ou Yaping	2,640,000	2,756,000	1,245,185,600	–	1,250,581,600
			(Note)		

Note:

These shares are held by Asia Pacific Promotion Limited, a company incorporated in the British Virgin Islands, which is legally and beneficially owned by Mr. Ou Yaping, Chairman of the Company.

## Directors' Report

(ii) Interest in associated corporations (within the meaning of the SDI Ordinance) of the Company

Name of interested party	Name of associated corporation	Nature of interest	Number of shares held
Mr. Ou Yaping	Panva Gas Holdings Limited	Corporate	441,380,062
Mr. Ou Yaping	Enerchina Holdings Limited	Corporate	1,089,310,445
Mr. Chen Wei	Panva Gas Holdings Limited	Personal	2,160,000
Mr. Tang Yui Man, Francis	Panva Gas Holdings Limited	Personal	1,440,000

Save as disclosed above, none of the directors, or their associates, had any interests in any securities of the Company or any of its associated corporations.

### SHARE OPTION SCHEMES OF THE GROUP

#### The Company

- (a) Pursuant to a share option scheme approved by resolutions of the shareholders of the Company dated 24 May 2002 (the "New Scheme"); share options were granted to directors and employees of the Company or its subsidiaries for recognition of their contributions to the Group. The exercise price of the share options will be determined at the higher of the average of closing prices on the Stock Exchange on the five trading days immediately preceding on the date of grant, the closing price of the Stock exchange on the date of grant and the nominal value of the shares. The share options granted must be taken up within 28 days of the date of grant.

At 31 December 2002, no options had been granted under the New Scheme.

- (b) Pursuant to a share option scheme approved by resolutions of the shareholders of the Company dated 11 May 1998 (the "Old Scheme"); share options were granted to directors and employees of the Company or its subsidiaries for recognition of their contributions to the Group. The exercise price of the share options will be determined at the higher of the average of closing prices on the Stock Exchange on the five trading days immediately preceding the date of grant of the share options, the closing price of the shares on the Stock Exchange on the date of grant and the nominal value of the shares. The share options granted must be taken up within 28 days of the date of grant. The New Scheme has replaced the Old Scheme and there will be no new share options granted under the Old Scheme in the future.



## Directors' Report

At 31 December 2002, the outstanding number of shares in respect of which options had been granted under the Old Scheme was 48,371,000 representing 2.6% of the shares of the Company in issue at that date.

The share options are exercisable at any time for a period to be determined by the directors, which shall not be more than 10 years from the date of grant.

The total number of shares in respect of which options may be granted under the New Scheme and the Old Scheme are not permitted to exceed 10% of the shares of the Company in issue at any point in 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.

Consideration of HK\$1 is payable on the grant of an option.

The directors believe that any statement regarding the value of options granted during the year will not be meaningful to shareholders, taking into account the unique business nature of the Group and its potential for future expansion and that comparable data required for calculation of the value of the options will not be representative of the Group.

Additional information in relation to the Company's share option scheme can be found in note 34 to the financial statements.

# Directors' Report

The following table discloses movements in the Company's share options during the year:

	Option type	Outstanding at 1.1.2002	Granted during year	Exercised during year	Lapsed during year	Outstanding at 31.12.2002
Category 1: Directors						
Mr. Law Sze Lai	1998	22,000,000	–	–	22,000,000	–
	1999	8,800,000	–	8,800,000	–	–
	2001B	5,500,000	–	5,500,000	–	–
	2002A	–	12,000,000	–	–	12,000,000
Mr. Chen Wei	1998	22,000,000	–	–	22,000,000	–
	1999	8,800,000	–	8,800,000	–	–
	2001B	5,500,000	–	5,500,000	–	–
	2002A	–	12,000,000	–	–	12,000,000
Mr. Tang Yui Man, Francis	2001A	8,800,000	–	5,500,000	–	3,300,000
	2001B	5,500,000	–	2,750,000	–	2,750,000
	2002A	–	3,800,000	–	–	3,800,000
Total directors		<u>86,900,000</u>	<u>27,800,000</u>	<u>36,850,000</u>	<u>44,000,000</u>	<u>33,850,000</u>

## Category 2: Employees

Option type	Outstanding at 1.1.2002	Granted during year	Exercised during year	Lapsed during year	Outstanding at 31.12.2002
1999	1,705,000	–	1,705,000	–	–
2000	880,000	–	220,000	330,000	330,000
2001A	5,720,000	–	1,870,000	3,850,000	–
2001B	8,591,000	–	2,200,000	–	6,391,000
2002A	–	7,000,000	–	200,000	6,800,000
2002B	–	11,000,000	–	10,000,000	1,000,000
	<u>16,896,000</u>	<u>18,000,000</u>	<u>5,995,000</u>	<u>14,380,000</u>	<u>14,521,000</u>
Total all categories	<u>103,796,000</u>	<u>45,800,000</u>	<u>42,845,000</u>	<u>58,380,000</u>	<u>48,371,000</u>

## Directors' Report

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercise period	Exercise price
1998	29.06.1998	29.06.1998 – 05.01.1999	06.01.1999 – 05.01.2002	HK\$0.55
	29.06.1998	29.06.1998 – 05.07.1999	06.07.1999 – 05.01.2002	HK\$0.64
1999	01.03.1999	01.03.1999 – 02.09.1999	03.09.1999 – 03.09.2002	HK\$0.41
	01.03.1999	01.03.1999 – 02.03.2000	03.03.2000 – 03.09.2002	HK\$0.41
	01.03.1999	01.03.1999 – 02.09.2001	03.09.2001 – 03.09.2002	HK\$0.41
2000	20.01.2000	20.01.2000 – 31.12.2000	01.01.2001 – 01.01.2004	HK\$0.50
2001A	15.06.2001	15.06.2001 – 31.12.2001	01.01.2002 – 01.01.2005	HK\$0.41
	15.06.2001	15.06.2001 – 28.02.2002	01.03.2002 – 01.03.2005	HK\$0.41
	15.06.2001	15.06.2001 – 31.05.2002	01.06.2002 – 01.06.2005	HK\$0.41
	15.06.2001	15.06.2001 – 31.05.2002	01.06.2003 – 01.06.2006	HK\$0.41
2001B	09.10.2001	09.10.2001 – 02.04.2002	03.04.2002 – 03.04.2005	HK\$0.33
	09.10.2001	09.10.2001 – 02.10.2002	03.10.2002 – 03.10.2005	HK\$0.33
	09.10.2001	09.10.2001 – 29.12.2002	30.12.2002 – 30.12.2005	HK\$0.33
2002A	14.03.2002	14.03.2002 – 31.08.2002	01.09.2002 – 01.09.2004	HK\$0.67
	14.03.2002	14.03.2002 – 30.11.2002	01.12.2002 – 01.12.2005	HK\$0.67
	14.03.2002	14.03.2002 – 31.12.2003	01.01.2003 – 01.01.2005	HK\$0.67
2002B	23.04.2002	23.04.2002 – 22.10.2003	23.10.2003 – 23.10.2005	HK\$0.81
	23.04.2002	23.04.2002 – 22.04.2004	23.04.2004 – 23.04.2006	HK\$0.81

The closing price of the Company shares immediately before 14 March 2002 and 23 April 2002, the dates of grant of the 2002A and 2002B options, were HK\$0.67 and HK\$0.79 respectively.

The weighted average closing price of the Company share immediately before the dates on which the options were exercised on 6 March 2002, 8 April 2002, 24 April 2002, 14 May 2002, 18 June 2002 and 5 August 2002 were HK\$0.64, HK\$0.72, HK\$0.79, HK\$0.97, HK\$1.00 and HK\$0.64 respectively.

# Directors' Report

## Panva Gas

### (a) Panva Pre-Listing Share Option Scheme

Pursuant to Pre-Listing Share Option Scheme of Panva Gas approved by resolutions of the sole shareholder of Panva Gas dated 4 April 2001, share options (the "Panva Pre-Listing Options") were granted at an exercise price of HK\$0.57, the issue price of Panva Gas shares on listing on GEM. The exercise price was subsequently adjusted to HK\$0.475 upon capitalisation of shares in 2002. 50% of the Panva Pre-Listing Options are exercisable from 1 January 2003 with the remaining 50% exercisable on 1 January 2004. The Panva Pre-Listing Options are exercisable on accumulative basis until the expiry date on 3 April 2011. The Panva Pre-Listing Options were granted to recognise the past and present contributions of the grantees to the Group.

At 31 December 2002, the outstanding number of shares in respect of which options had been granted under the Panva Pre-Listing Share Option Scheme was 23,440,000 representing 3.87% of the shares of Panva Gas in issue on that date.

### (b) Panva Share Option Scheme

Pursuant to a share option scheme approved by resolutions of the sole shareholder of Panva Gas dated 4 April 2001 (the "Panva Scheme"), Panva Gas may grant options to the directors or employees of Panva Gas or its subsidiaries, for the recognition of their contributions to the Group, to subscribe for the shares in the Company. The exercise price of the share option will be determined at the higher of the average of closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option, the closing price of the shares on the Stock Exchange on the date of grant and the nominal value of the shares.

The Scheme will be terminated on 3 April 2011.

The share options are exercisable at any time for a period to be determined by the directors, which shall not be more than 10 years from the date of grant.

At 31 December 2002, the outstanding number of shares in respect of which options had been granted under the Panva Scheme was 13,704,000 representing 2.26% of the shares of Panva Gas in issue on that date.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per option.

The total number of shares in respect of which options may be granted under the Panva Pre-Listing Share Option Scheme and the Panva Scheme is not permitted to exceed 10% of the shares of Panva Gas in issue at any point in time, without prior approval from the Panva Gas'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 Panva Gas in issue at any point in time, without prior approval from the Panva Gas's shareholders.

## Directors' Report

The following table discloses movements in the Panva Gas's share options during the year.

		Outstanding at 1.1.2002		Exercised during year	Lapsed during year	Outstanding at 31.12.2002
Option type		Before adjustment	After adjustment			
Category 1: Directors						
Mr. Ou Yaping	Panva Pre-Listing Options	3,000,000	3,600,000	–	–	3,600,000
Mr. Chan Wei	Panva Pre-Listing Options	3,000,000	3,600,000	–	–	3,600,000
	Panva 2001	3,000,000	3,600,000	2,160,000	–	1,440,000
Mr. Tang Yui Man, Francis	Panva 2001	2,000,000	2,400,000	1,440,000	–	960,000
Total Directors		11,000,000	13,200,000	3,600,000	–	9,600,000

### Category 2: Employees

Option type	Outstanding at 1.1.2002		Exercised during year	Lapsed during year	Outstanding at 31.12.2002
	Before adjustment	After adjustment			
Panva Pre-Listing Options	14,900,000	17,640,000	–	1,400,000	16,240,000
Panva 2001	10,650,000	12,780,000	1,476,000	–	11,304,000
Total Employees	<u>25,550,000</u>	<u>30,420,000</u>	<u>1,476,000</u>	<u>1,400,000</u>	<u>27,544,000</u>

The share options numbers outstanding at beginning of year have been adjusted to reflect the effect of bonus share dividend issued during the year.

# Directors' Report

The weighted average closing price of the Panva Gas's shares immediately before the dates on which the options were exercised was HK\$1.7.

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercise period	Exercise price	
				Before adjustment HK\$	After adjustment HK\$
Panva Pre-Listing Options	04.04.2001	04.04.2001 – 31.12.2002	01.01.2003 – 03.04.2011	0.57	0.475
	04.04.2001	04.04.2001 – 31.12.2003	01.01.2004 – 03.04.2011	0.57	0.475
Panva 2001	13.11.2001	13.11.2001 – 12.02.2002	13.02.2002 – 13.02.2007	1.13	0.94
	13.11.2001	13.11.2002 – 12.05.2002	13.05.2002 – 13.02.2007	1.13	0.94
	13.11.2001	13.11.2002 – 12.11.2002	13.11.2002 – 13.02.2007	1.13	0.94

The share options number outstanding at beginning of year and the exercise prices have been adjusted to reflect the effect of bonus share dividend issued by Panva Gas during the year.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the warrants and option holdings disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of share in, or debenture of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "CONNECTED TRANSACTIONS", no contracts of significance to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

# Directors' Report

## DIRECTORS' SERVICE CONTRACTS

With the exception of Mr. Chen Wei, each of the executive directors has entered into a service contract with the Company for an initial period of two years commencing on 1 April 2001, which shall continue thereafter until terminated by either party giving not less than six month's prior written notice.

Mr. Chen Wei has entered into a service contract with Panva Gas for an initial period of three years commencing on 1 April 2001, which shall continue thereafter until terminated by either party giving not less than three month's prior written notice.

Save as disclosed above, none of the directors or service companies under their respective control has entered into or has proposed to enter into any service or management contract with any member of the Group excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation.

## CONNECTED TRANSACTIONS

Pursuant to Chapter 14 of the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules"), the following connected transactions of the Company require disclosure in the annual report of the Company:

- (i) As disclosed in the Company's circular dated 25 January 1999, the Group acquired from Mr. Ou Yaping, the controlling shareholder of the Company, the entire issued share capital of China Pan River Group Limited ("CPR Group") (the "Acquisition") on 12 February 1999. CPR Group is an investment holding company, the major assets of which are its indirect majority equity interests in the joint venture companies established in the PRC, that are principally engaged in the production, transportation, storage, sale and distribution of LPG and natural gas. The Acquisition was approved by the shareholders at the special general meeting of the Company on 10 February 1999. Total consideration for the Acquisition was HK\$55,183,000 which was paid by way of an issue of a convertible note in favour of Mr. Ou Yaping. The note was converted into 134,592,000 shares of the Company at an adjusted conversion price of HK\$0.41 per share on 8 February 2002. Prior to conversion, a total interest expenses of HK\$287,000 were paid or payable for the year ended 31 December 2002.

## Directors' Report

- (ii) As disclosed in the Company's circular dated 21 January 2002, pursuant to the RMB550,000,000 and RMB80,000,000 loan agreements ("Loans") dated 10 December 2001 between Shenzhen Sinolink Enterprises Co., Ltd. ("Shenzhen Sinolink") and Bank of China, Shenzhen Branch in which the Company has provided guarantee on the loans respectively. Shenzhen Sinolink is an indirect non-wholly owned subsidiary of the Company in which the Company has 80% indirect interest, and the remaining 20% interest is held by Shenzhen Power Supply Services Corporation. Shenzhen Power Supply Services Corporation is a connected person by virtue of being a substantial shareholder of Shenzhen Sinolink, however, it will not provide any guarantee in respect of the Loans. In view of the fact that Shenzhen Power Supply Services Corporation is a connected person by virtue of being a substantial shareholder in Shenzhen Sinolink Property Management Co., Ltd. a subsidiary of the Company in which Shenzhen Sinolink has 50% equity interest and Shenzhen Power Supply Services Corporation has a 25% attributable equity interest, provision of the guarantee for the Loans by the Company constitute connected transactions for the Company under Rule 14.26(6)(a) of the Listing Rules which approved by the shareholders of the Company.
- (iii) During the year, Pan River Enterprises (Changsha) Company Limited ("Changsha JV") (in which the Group has a 60% direct interest), purchased LPG from China Petrochemical Company Limited ("CPC") on a contract by contract, back to back basis to different buyers. Each transaction was less than HK\$1 million. The total purchases from CPC amounted to approximately RMB5,000,000 (equivalent to HK\$4,677,000) for the year ended 31 December 2002.

CPC is an associate (within the meaning of the Listing Rules) of the PRC party which holds the 40% interest in Changsha JV and is therefore considered as a connected person within the meaning of the Listing Rules.

### Connected transactions with Waivers granted by the Stock Exchange

The following connected transactions have been entered into by the Company and its subsidiaries to which the Stock Exchange has, subject to certain conditions, granted waivers to the Company from compliance with the requirements stipulated in Chapter 14 of the Listing Rules.

- (i) Pursuant to the tenancy agreements dated 1 April 2000 which expired on 31 March 2002 and renewed tenancy agreement dated 1 April 2002 which expired on 31 March 2004 between Sinolink Worldwide (HK) Company Limited ("Sinolink Worldwide (HK)") as tenant and Skillful Assets Limited ("Skillful") (a company controlled by Mr. Ou Yaping and of which Mr. Ou Yaping is a director), as landlord, Skillful agreed to let to Sinolink Worldwide (HK) the property known as House 3, Kellett View Town Houses, Nos. 65-69 Mount Kellett Road, Hong Kong for a term of two years commencing on 1 April 2000 and on 1 April 2002 at a rent of HK\$100,000 and HK\$83,000 per month respectively exclusive of rates and management fees. Total rental expenses of HK\$1,047,000 were paid or payable to Skillful for the year ended 31 December 2002.



## Directors' Report

- (ii) Pursuant to an agreement for the provision of services dated 8 January 2001, and renewed agreement dated 3 January 2003, between Ocean Diamond Limited, a subsidiary of the Company, and Shenzhen Sinolink, Ocean Diamond Limited agreed to provide to Shenzhen Sinolink (i) management staffing services by supplying and sending staff to Shenzhen and (ii) services relating to the design and planning for real estate development, cable engineering consultancy and the import and sourcing of materials. Shenzhen Sinolink has to pay a monthly service fee of RMB150,000 (equivalent to HK\$140,318) to Ocean Diamond Limited. It is intended that a service agreement with the same terms (subject to adjustment for the service fee) will be entered into between Ocean Diamond Limited and Shenzhen Sinolink on a yearly basis. A total service fee of RMB1,800,000 (equivalent to HK\$1,683,817) was paid or payable to Ocean Diamond Limited for the year ended 31 December 2002.
- (iii) Pursuant to an agreement for the provision of agency services dated 8 January 2001 and renewed agreement dated 31 January 2003, between Sinolink Worldwide (HK) and Shenzhen Sinolink, Sinolink Worldwide (HK) shall provide agency services regarding matters including, amongst others, advertising and promotion for overseas sales of property units developed by the Group in the PRC and customer liaison on behalf of Shenzhen Sinolink in return for a monthly service fee of approximately RMB700,000 (equivalent to HK\$654,818). It is intended that an agency services agreement with the same terms (subject to adjustment for the service fee) will be entered into annually between Sinolink Worldwide (HK) and Shenzhen Sinolink. A total service fee of approximately RMB8,400,000 (equivalent to HK\$7,857,811) was paid or payable by Shenzhen Sinolink to Sinolink Worldwide (HK) for the year ended 31 December 2002.
- (iv) Pursuant to the Power Purchase Contract entered into between the then subsidiary, Shenzhen Fuhuade Electric Power Co., Ltd. ("Fuhuade") and Shenzhen Power Supply Bureau, the regulatory body of Shenzhen Power Supply (the substantial shareholder of Shenzhen Sinolink), which came into effect on 15 March 1996, Fuhuade agreed to supply to Shenzhen Power Supply Bureau electricity generated at Dapeng Power Plant, which is operated by Fuhuade, for on-grid onward transmission to public end-users. A total amount of approximately RMB43,266,447 (equivalent to HK\$40,473,758) worth of electricity was sold to Shenzhen Power Supply Bureau during the year ended 31 December 2002.
- (v) As disclosed in the Company's circular dated 15 November 2000, pursuant to a LPG supply agreement ("Supply Agreement") dated 19 October 2000 between Changsha JV as purchaser and CPC and one other independent third party as suppliers, CPC and the independent third party agreed to supply to Changsha JV high quality LPG at a price determinable by a pre-set formula as set out in the Supply Agreement. The Supply Agreement was terminated on 31 December 2001 and no purchases were made under the Supply Agreement during the year.

# Directors' Report

The independent non-executive directors confirm that the transaction has been entered into by the Company in the ordinary course of its business and in accordance with the terms of the agreement governing such transactions.

## SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company as at 31 December 2002.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest supplier accounted for approximately 39.68% of the Group's total purchases and the Group's largest five suppliers accounted for approximately 57.43% of the Group's total purchases.

During the year, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

None of the directors, their associates or any shareholders, which to the knowledge of the directors owned more than 5% of the Company's issued share capital, had an interest in the share capital of any of the five largest suppliers.

## CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 December 2002 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

## AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference which deal clearly with its authority and duties in compliance with paragraph 14 of the Code of Best Practice. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems. The audit committee has 3 members comprising 3 independent non-executive directors, Messrs. Cheung Wing Yui, Tsang Yu Chor, Patrick and Xin Lui Lin.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control, and financial reporting matters including the review of interim financial statements which have not been audited.

# Directors' Report

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws of Bermuda.

## AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Tang Yui Man, Francis  
Director & Chief Executive Officer

Hong Kong, 23 April 2003

# Auditors' Report

## 德勤 • 關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

TO THE MEMBERS OF SINOLINK WORLDWIDE HOLDINGS LIMITED  
(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 37 to 98 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group and the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu  
Certified Public Accountants

Hong Kong, 23 April 2003

# Consolidated Income Statement

For the year ended 31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000
Turnover	(4)	1,525,406	1,527,305
Cost of sales		<u>(1,156,903)</u>	<u>(1,258,519)</u>
Gross profit		368,503	268,786
Other operating income	(5)	9,617	10,117
Distribution costs		(46,380)	(48,233)
Administrative expenses		(117,081)	(101,503)
Other operating expenses		<u>(3,509)</u>	<u>(5,912)</u>
Profit from operations	(6)	211,150	123,255
Interest income		11,336	22,733
Finance costs	(8)	(4,350)	(6,844)
Gain on disposal of subsidiaries	(9)	195,908	44,466
(Loss) gain on disposal of an associate		(234)	422
Amortisation of goodwill of an associate		(1,816)	–
Share of results of associates		<u>(22,749)</u>	<u>(360)</u>
Profit before taxation		389,245	183,672
Taxation	(11)	<u>(16,068)</u>	<u>(10,499)</u>
Profit before minority interests		373,177	173,173
Minority interests		<u>(78,748)</u>	<u>(56,202)</u>
Net profit for the year		<u>294,429</u>	<u>116,971</u>
Dividends	(12)	<u>55,483</u>	<u>60,639</u>
Earnings per share	(13)	HK cents	HK cents
Basic		<u>16.17</u>	<u>7.00</u>
Diluted		<u>15.40</u>	<u>6.63</u>

# Consolidated Balance Sheet

At 31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	(14)	432,675	480,873
Goodwill	(15)	22,659	22,069
Negative goodwill	(16)	(26,585)	(18,955)
Interests in associates	(18)	129,882	6,422
Investment in securities	(19)	117,949	23,808
Trade receivables	(22)	1,269	2,473
		<u>677,849</u>	<u>516,690</u>
<b>Current assets</b>			
Stock of properties	(20)	1,644,354	1,602,424
Inventories	(21)	23,751	39,468
Trade and other receivables	(22)	278,720	229,883
Amount due from an associate	(23)	197,000	–
Amount due from minority shareholders	(26)	41,276	5,584
Investment in securities	(19)	31,455	6,992
Bank balances and cash		470,641	565,438
		<u>2,687,197</u>	<u>2,449,789</u>
<b>Current liabilities</b>			
Trade and other payables	(24)	280,658	362,749
Tax liabilities		30,822	30,986
Amounts due to minority shareholders	(26)	23,537	7,267
Borrowings – due within one year	(27)	14,599	410,170
		<u>349,616</u>	<u>811,172</u>
<b>Net current assets</b>		<u>2,337,581</u>	<u>1,638,617</u>
<b>Total assets less current liabilities</b>		<u>3,015,430</u>	<u>2,155,307</u>
<b>Non-current liabilities</b>			
Borrowings – due after one year	(27)	(904,480)	(510,790)
Deferred gain on disposal of a subsidiary	(30)	(77,000)	–
		<u>(981,480)</u>	<u>(510,790)</u>
		<u>2,033,950</u>	<u>1,644,517</u>
<b>Minority interests</b>		<u>(454,734)</u>	<u>(368,757)</u>
		<u>1,579,216</u>	<u>1,275,760</u>
<b>Capital and reserves</b>			
Share capital	(28)	184,944	167,200
Reserves	(29)	1,394,272	1,108,560
		<u>1,579,216</u>	<u>1,275,760</u>

The financial statements on pages 37 to 98 were approved and authorised for issue by the Board of Directors on 23 April 2003 and are signed on its behalf by:

Ou Yaping  
CHAIRMAN

Tang Yui Man, Francis  
DIRECTOR

# Balance Sheet

At 31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000
Non-current assets			
Property, plant and equipment	(14)	1,359	360
Investments in subsidiaries	(17)	878,333	1,051,728
Interest in an associate	(18)	163,563	–
Investment in securities	(19)	116,000	–
		<u>1,159,255</u>	<u>1,052,088</u>
Current assets			
Trade and other receivables		14,506	1,298
Investment in securities	(19)	5,512	6,641
Amount due from an associate	(23)	197,000	–
Bank balances and cash		181,202	103,309
		<u>398,220</u>	<u>111,248</u>
Current liabilities			
Trade and other payables		1,267	10,666
Amount due to subsidiaries	(25)	325,855	59,466
Borrowings – due within one year	(27)	–	55,183
		<u>327,122</u>	<u>125,315</u>
Net current assets/(liabilities)		<u>71,098</u>	<u>(14,067)</u>
Total assets less current liabilities		<u>1,230,353</u>	<u>1,038,021</u>
Non-current liabilities			
Borrowings – due after one year	(27)	(81,600)	–
		<u>1,148,753</u>	<u>1,038,021</u>
Capital and reserves			
Share capital	(28)	184,944	167,200
Reserves	(29)	963,809	870,821
		<u>1,148,753</u>	<u>1,038,021</u>

Ou Yaping  
CHAIRMAN

Tang Yui Man, Francis  
DIRECTOR

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2002

	Share capital HK\$'000	Share premium account HK\$'000	Properties revaluation account HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	General reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2001	152,000	293,853	-	(5,742)	(5,985)	51,782	-	368,262	345,018	1,199,188
Exchange rate adjustment	-	-	-	8	-	-	-	-	-	8
Revaluation of land and buildings	-	-	20,558	-	-	-	-	-	-	20,558
Net gain not recognised in the income statement	-	-	20,558	8	-	-	-	-	-	20,566
Capitalisation of shares	15,200	(15,200)	-	-	-	-	-	-	-	-
Realised on disposal of a subsidiary	-	-	(1,096)	24	65	(177)	(207)	-	-	(1,391)
Contribution from a minority shareholder	-	-	-	-	-	-	1,065	-	-	1,065
Transfer from profit and loss account	-	-	-	-	-	6,117	-	-	(6,117)	-
Profit for the year	-	-	-	-	-	-	-	-	116,971	116,971
Dividend	-	-	-	-	-	-	-	-	(60,639)	(60,639)
At 31 December 2001	167,200	278,653	19,462	(5,710)	(5,920)	57,722	858	368,262	395,233	1,275,760
Exchange rate adjustment not recognised in the income statement	-	-	-	(211)	-	-	-	-	-	(211)
Realised on disposal of a subsidiary	-	-	(10,611)	(294)	8,511	(3,821)	(77)	(480)	-	(6,772)
Shares issued at premium	17,744	53,749	-	-	-	-	-	-	-	71,493
Transfer from profit and loss account	-	-	-	-	-	6,130	-	-	(6,130)	-
Profit for the year	-	-	-	-	-	-	-	-	294,429	294,429
Dividend	-	-	-	-	-	-	-	-	(55,483)	(55,483)
At 31 December 2002	184,944	332,402	8,851	(6,215)	2,591	60,031	781	367,782	628,049	1,579,216



# Consolidated Cash Flow Statement

For the year ended 31 December 2002

	2002 HK\$'000	2001 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	389,245	183,672
Adjustment for:		
Share of results of associates	22,749	360
Interest income	(11,336)	(22,733)
Interest expense	3,821	6,537
Depreciation	31,730	43,852
Dividend income	(360)	–
Gain on disposal of subsidiaries	(195,908)	(44,466)
Gain on disposal of an associate	–	(422)
Gain on disposal of investments	(592)	(1,616)
Realised holding loss on investment in securities	29	–
Unrealised holding (gain) loss on investment in securities	(623)	2,317
Deficit on revaluation of property, plant and equipment	–	1,851
Amortisation of goodwill	3,033	698
Release of negative goodwill	(1,855)	(145)
Loss (gain) on disposal of property, plant and equipment	2,203	(541)
Operating cash flows before movements in working capital	242,136	169,364
Increase in stock of properties	(4,910)	(797,032)
Decrease (increase) in inventories	770	(13,063)
(Increase) decrease in trade and other receivables	(39,203)	88,762
Decrease in trade and other payables	(90,304)	(1,540)
Cash from (used in) operations	108,489	(553,509)
Interest paid	(43,512)	(18,947)
Overseas tax paid	(15,749)	(15,378)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	49,228	(587,834)

# Consolidated Cash Flow Statement

For the year ended 31 December 2002

	Notes	2002 HK\$'000	2001 HK\$'000
<b>INVESTING ACTIVITIES</b>			
Interest received		9,739	26,548
Dividend received		360	–
Purchase of property, plant and equipment		(195,568)	(95,382)
Proceeds from sale of property, plant and equipment		2,676	2,880
Investment in an associate		(29,707)	–
Purchase of investment in securities		(136,438)	(80,957)
Proceeds from disposal of other investments		1,568	52,686
Repayment from associates		–	174
Advances to minority shareholders		(35,692)	(5,584)
Disposal of a subsidiary	(30)	79,556	(34)
Acquisition of an associate		(81,800)	–
Net cash outflow in respect of purchase of a subsidiary	(31)	(33,322)	(7,048)
Net proceed from partial disposal of a subsidiary		124,551	41,229
Net cash outflow in respect of partial acquisition of a subsidiary		–	(7,683)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(294,077)</b>	<b>(73,171)</b>
<b>FINANCING ACTIVITIES</b>			
Dividends paid by subsidiaries to minority shareholders		(5,313)	(14,582)
Dividend paid to shareholders		(55,483)	(45,600)
Proceed from issue of shares		16,310	–
Proceed from issue of convertible note		125,000	–
New borrowings		20,186	636,684
Repayment to minority shareholders		–	(49,218)
Increase in amount due from minority shareholders		49,563	43,078
<b>NET CASH ACTIVITIES FROM FINANCING ACTIVITIES</b>		<b>150,263</b>	<b>570,362</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(94,586)</b>	<b>(90,643)</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<b>565,438</b>	<b>656,074</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>		<b>(211)</b>	<b>7</b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>470,641</b>	<b>565,438</b>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 1. GENERAL

The Company is incorporated in Bermuda as an exempt company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate holding company is Asia Pacific Promotion Limited, a private limited company incorporated in the British Virgin Islands (the “BVI”).

The principal activities of the Group are property development, supply of electricity and wholesaling and retailing of liquefied petroleum gas and natural gas (“Gas fuel”).

## 2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statement
SSAP 33	Discounting operation
SSAP 34	Employee benefits

The adoption of the above Standards has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### Cash Flow Statements

In the current period, the Group has adopted SSAP 15 (Revised) Cash Flow Statements. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating/investing/financing cash flows as appropriate. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

### Discontinuing Operations

SSAP 33 Discontinuing Operations is concerned with the presentation of financial information regarding discontinuing operations and replaces the requirements previously included in SSAP 2 Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies. Under SSAP 33, financial statement amounts relating to the discontinuing operation are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is announced. The adoption of SSAP 33 has resulted in the identification of the Group's electricity supply operations as a discontinuing operation in the current period, details of which are disclosed in note 10.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared 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 each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

### Goodwill

Goodwill arising on consolidation 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 acquisitions prior to 1 January 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate or at such time as the goodwill is determined to be impaired.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Goodwill (Continued)

Goodwill arising on acquisitions on or after 1 January 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of a subsidiary is presented separately in the balance sheet. Goodwill arising on the acquisition of an associate is included in the interests in associates in the balance sheet.

### Negative goodwill

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

Negative goodwill arising on acquisitions 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.

To the extent that the negative goodwill is attributable to future losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

### Recognition of revenue

#### Development properties

Income from properties developed for sale, where there are no pre-sales prior to completion of a development, is recognised on the execution of the sales and purchase agreement.

Income from properties pre-sold prior to completion of development is recognised over the period from the execution of the sales and purchase agreement to the completion of the development on the basis of development costs incurred to date as a proportion of estimated total development costs.

Income from outright sales of an entire property development project is recognised upon execution of the sale and purchase agreement.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Recognition of revenue (Continued)

#### Sales of electricity supply

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

#### Gas pipelines construction revenue

Gas pipelines construction revenue is recognised when the outcome of a gas connection contract can be estimated reliably and the stage of completion at the balance sheet date can be measured reliably. Revenue from gas connection contracts is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. When the outcome of a gas connection contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

#### Sales of goods

Sales of goods are recognised when goods are delivered and title has passed.

#### Income from decoration, interior design and related services

Income from decoration, interior design and related services is recognised using the percentage of completion method, measured by reference to the proportion that costs incurred to date to estimated total costs for each contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

#### Income from property management services

Income from property management services is recognised on provision of services.

#### Interest income

Interest income is accrued on a time proportion basis on the principal outstanding and at the rate applicable.

#### Dividend income

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

# Notes to the Financial Statements

For the year ended 31 December 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Stock of properties

Stock of properties includes properties under development and properties held for sale.

The carrying value of properties under development comprises the land cost together with development expenditure, which includes construction costs, capitalised interest and ancillary borrowing costs, plus attributable profits taken to date, less progress payments received and foreseeable losses. Attributable profit on pre-sale of properties under development is recognised over the course of the development. Profit recognised on pre-sale of properties during an accounting period is calculated by reference to the proportion of construction costs incurred up to the accounting date to total estimated construction costs to completion, with due allowance for contingencies.

Properties held for sale are classified under current assets and stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development cost attributable to the unsold properties. Net realisable value is the estimated price at which a property can be realised in the ordinary course of business less related selling expenses.

### Investments in subsidiaries

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

A joint venture is treated as a subsidiary if, under the joint venture control, the Group had the power to govern the financial and operating policies of the joint venture so as to obtain benefits from its activities.

### Interests 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 goodwill on acquisition less any identified impairment loss.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.



# Notes to the Financial Statements

For the year ended 31 December 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investment securities

Investments securities are recognised on a trade-date basis and are initially measured at cost.

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 values, with unrealised gains and losses included in net profit or loss for the year.

### Property, plant and equipment

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Other plant and equipment are stated at cost less depreciation and accumulated impairment losses.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment (Continued)

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives on a straight line basis, after taking into consideration of their estimated residual values. The principal annual rates used are as follows:

Leasehold land	Over the unexpired term of lease or over the term of equity joint venture contract, whichever is shorter
Buildings	3% to 10%
Plant and machinery	6% to 30%
Furniture, fixtures and equipment	18% to 40%
Motor vehicles	6% to 30%
Gas pipelines	3%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment 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, which includes all development expenditure and other direct costs, including interest expenses attributable to such projects, is stated at cost. Costs on completed construction work are transferred to property, plant and equipment.

### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets 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 losses are 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 another SSAP.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on the translation of foreign currency borrowings used to finance net investments in overseas operations/subsidiaries are taken directly to reserves. Other profits and losses arising on exchange are dealt with in the income statement.

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 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 exchange reserve. Such translation differences are recognised as income or as expense in the period in which the operation is disposed of.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Decoration work in progress comprises direct material and labour cost plus attributable profits taken to date less deposits received and provision for any foreseeable losses.

### Construction contracts

When the outcome of a construction contract can be estimated reliably and the stage of contract completion at the balance sheet date can be measured reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as contract revenue is recognised.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contracts costs will exceed contract revenue, the expected loss is recognised an expense immediately.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Convertible note

A convertible note is regarded as a liability until conversion occurs and the finance costs recognised in the income statement in respect of the convertible note are calculated so as to produce a constant periodic rate of charge on the remaining balance of the convertible note for each accounting period.

### Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

### Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases. Rental receivable or payable in respect of operating leases are credited or charged respectively to the income statement on a straight line basis over the terms of the respective leases.

### Retirement benefits scheme

The retirement benefit costs charged in the income statement represents the contributions payable in respect of the current year to the Group's defined contribution scheme and Mandatory Provident Fund Scheme in Hong Kong and state – sponsored retirement plan for its employees in the PRC.

### Taxation

The charge for taxation is based on the results for the year as adjusted 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 using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable a liability or asset will crystallise in the foreseeable future.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

### (A) Business segments

For management purposes, the Group is currently organised into three operating divisions – property development, gas fuel business and others. These divisions are the basis on which the Group reports its primary segment information. Principal activities are as follows:

- |                      |   |
|----------------------|---|
| Property development | – sales of completed properties/development properties                        |
| Gas fuel business    | – wholesaling and retailing of gas fuel and the construction of gas pipelines |
| Others               | – decoration, interior design work and property management services           |

In prior years, the Group was also involved in the electricity supply. That operation was discontinued from 6 May 2002 (see note 10).

# Notes to the Financial Statements

For the year ended 31 December 2002

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### (A) Business segments (Continued)

- (i) Segment information about these businesses for the year ended 31 December 2002 is presented below:

#### INCOME STATEMENT

	Continuing operations			Discontinuing operation		
	Property development	Gas fuel business	Others	Electricity supply	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER						
External sales	311,997	1,150,322	22,613	40,474	-	1,525,406
Inter-segment sales	-	-	9,542	-	(9,542)	-
	<u>311,997</u>	<u>1,150,322</u>	<u>32,155</u>	<u>40,474</u>	<u>(9,542)</u>	<u>1,525,406</u>
Inter-segment sales are charged at prevailing market prices.						
RESULT						
Segment result	<u>31,556</u>	<u>184,129</u>	<u>4,998</u>	<u>2,180</u>	<u>-</u>	<u>222,863</u>
Other operating income						9,588
Unallocated corporate expenses						<u>(21,301)</u>
Profit from operations						211,150
Interest income						11,336
Finance costs						(4,350)
Gain on disposal of subsidiaries	-	111,860	-	84,048	-	195,908
Loss on disposal of an associate	(234)	-	-	-	-	(234)
Amortisation of goodwill of an associate	-	-	(1,816)	-	-	(1,816)
Share of results of associates	2,306	-	(25,055)	-	-	<u>(22,749)</u>
Profit before taxation						389,245
Taxation						<u>(16,068)</u>
Profit before minority interests						373,177
Minority interests						<u>(78,748)</u>
Net profit for the year						<u>294,429</u>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### (A) Business segments (Continued)

#### BALANCE SHEET

	Continuing operations			Discontinuing operation	Consolidated
	Property development	Gas fuel business	Others	Electricity supply	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Segment assets	1,876,227	735,540	316,133	–	2,927,900
Interest in associates	36,303	–	93,579	–	129,882
Unallocated corporate assets					307,264
Consolidated total assets					<u>3,365,046</u>
LIABILITIES					
Segment liabilities	187,671	136,900	10,203	–	334,774
Unallocated corporate liabilities					996,322
Consolidated total liabilities					<u>1,331,096</u>

#### OTHER INFORMATION

	Continuing operations			Discontinuing operation	Consolidated
	Property development	Gas fuel business	Others	Electricity supply	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	5,264	175,842	9,391	82,800	273,297
Goodwill additions	–	2,461	54,482	–	56,943
Depreciation and amortisation	<u>9,520</u>	<u>19,914</u>	<u>3,752</u>	<u>1,577</u>	<u>34,763</u>



# Notes to the Financial Statements

For the year ended 31 December 2002

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### (A) Business segments (Continued)

- (ii) Segment information about these businesses for the year ended 31 December 2001 is presented below:

#### INCOME STATEMENT

	Continuing operations			Discontinuing operation		
	Property development	Gas fuel business	Others	Electricity supply	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER						
External sales	335,898	1,008,335	26,916	156,156	-	1,527,305
Inter-segment sales	-	-	54,722	-	(54,722)	-
	<u>335,898</u>	<u>1,008,335</u>	<u>81,638</u>	<u>156,156</u>	<u>(54,722)</u>	<u>1,527,305</u>
Inter-segment sales are charged at prevailing market prices.						
RESULT						
Segment result	<u>46,443</u>	<u>64,840</u>	<u>3,771</u>	<u>10,993</u>	<u>-</u>	<u>126,047</u>
Other operating income						10,117
Unallocated corporate expenses						<u>(12,909)</u>
Profit from operations						123,255
Interest income						22,733
Finance costs						(6,844)
Gain on disposal of subsidiaries	-	44,466	-	-	-	44,466
Gain on disposal of an associate	422	-	-	-	-	422
Share of results of associates	(360)	-	-	-	-	<u>(360)</u>
Profit before taxation						183,672
Taxation						<u>(10,499)</u>
Profit before minority interests						173,173
Minority interest						<u>(56,202)</u>
Net profit for the year						<u>116,971</u>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### (A) Business segments (Continued)

#### BALANCE SHEET

	Continuing operations			Discontinuing operation	
	Property development	Gas fuel business	Others	Electricity supply	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS</b>					
Segment assets	1,885,874	529,972	182,247	239,147	2,837,240
Interest in associates	5,858	–	–	564	6,422
Unallocated corporate assets					122,817
Consolidated total assets					<u>2,966,479</u>
<b>LIABILITIES</b>					
Segment liabilities	227,065	113,447	7,979	41,509	390,000
Unallocated corporate liabilities					931,962
Consolidated total liabilities					<u>1,321,962</u>

#### OTHER INFORMATION

	Continuing operations			Discontinuing operation	
	Property development	Gas fuel business	Others	Electricity supply	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	16,473	70,649	1,080	33,697	121,899
Goodwill additions	809	21,958	–	–	22,767
Depreciation and amortisation	10,348	16,355	996	16,851	44,550
Unrealised holding loss on other investments	–	–	2,317	–	2,317
Deficit on revaluation of property, plant and equipment	<u>–</u>	<u>1,851</u>	<u>–</u>	<u>–</u>	<u>1,851</u>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 4. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### (B) Geographical segments

As over 90% of the consolidated turnover, trading results and assets for the year is derived from or located in the PRC, an analysis of the consolidated turnover, trading results and assets by geographical location is not presented.

## 5. OTHER OPERATING INCOME

	2002 HK\$'000	2001 HK\$'000
Dividend income	360	–
Gain on disposal of investment in securities	592	1,616
Gain on disposal of property, plant and equipment	–	541
Insurance claimed	–	1,957
Net exchange gain	918	316
Release of negative goodwill	1,855	145
Rental income under operating leases	2,195	2,216
Unrealised holding gain on investment in securities	623	–
Sundry	3,074	3,326
	<u>9,617</u>	<u>10,117</u>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 6. PROFIT FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Profit from operations is arrived at after charging:		
Auditors' remuneration		
Provided for the year	2,040	1,981
(Over)underprovision in prior year	(332)	559
	<u>1,708</u>	<u>2,540</u>
Depreciation	31,730	43,852
Operating lease rentals	5,397	7,166
Loss on disposal of property, plant and equipment	2,203	–
Unrealised holding loss on investments in securities	–	2,317
Realised holding loss on investments in securities	29	–
Staff costs including directors' remuneration	78,986	68,218
Amortisation of goodwill (included in administrative expenses)	1,217	698
Deficit on revaluation of property, plant and equipment	<u>–</u>	<u>1,851</u>

## 7. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

Details of the emoluments paid by the Group to the directors are as follows:

	2002 HK\$'000	2001 HK\$'000
Fees	238	150
Salaries and other emoluments	8,417	7,502
Contributions to retirement benefits scheme	125	111
Discretionary bonuses	<u>700</u>	<u>550</u>
	<u>9,480</u>	<u>8,313</u>

The amounts disclosed above include directors' fees of HK\$237,500 (2001: HK\$150,000) payable to independent non-executive directors. No other emoluments were payable to independent non-executive directors.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 7. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

The emoluments of the directors were within the following bands:

Emolument band (Hong Kong Dollars)	Number of individuals	
	2002	2001
\$Nil – \$1,000,000	4	3
\$1,000,001 – \$1,500,000	–	3
\$1,500,001 – \$2,000,000	3	–
\$3,500,001 – \$4,000,000	–	1
\$4,000,001 – \$4,500,000	<u>1</u>	<u>–</u>

Of the five individuals with the highest emoluments in the Group, four (2001: four) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining individual were as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and allowances	1,171	1,353
Contributions to retirement benefits scheme	<u>–</u>	<u>12</u>
	<u>1,171</u>	<u>1,365</u>

His emoluments were within the following bands:

Emolument band	Number of individuals	
	2002	2001
\$1,000,001 – \$1,500,000	<u>1</u>	<u>1</u>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 8. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on		
Bank loans and other borrowing wholly repayable within five years	41,522	16,969
Convertible bonds	1,248	2,759
	<hr/>	<hr/>
Total borrowing cost	42,770	19,728
Less: Amount capitalised to properties under development for sale	(38,949)	(13,191)
	<hr/>	<hr/>
	3,821	6,537
Bank charges	244	307
Handling charge	285	–
	<hr/>	<hr/>
	<u>4,350</u>	<u>6,844</u>

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.6% (2001: 5.4%) to expenditure on qualifying assets.

## 9. GAIN ON DISPOSAL OF SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Gain on partial disposal of interest in a subsidiary	111,860	44,183
Gain on disposal of a subsidiary (see note 30)	84,048	283
	<hr/>	<hr/>
	<u>195,908</u>	<u>44,466</u>

Gain on partial disposal of interest in a subsidiary represented the gain arising on disposal of shares of Panva Gas Holdings Limited ("Panva Gas") to a third party.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 10. DISCONTINUING OPERATIONS

On 8 March 2002, the Group entered into a sales agreement to dispose of Sinolink Industrial Limited ("Sinolink Industrial"), which carried out all of the Group's electricity supply operations. The disposal was completed on 6 May 2002, on which date control of Sinolink Industrial was passed to the acquirer.

The results of the electricity supply operations for the period from 1 January 2002 to 6 May 2002, which have been included in the consolidated financial statements were as follows:

	Period ended 6.5.2002 HK\$'000	Year ended 31.12.2001 HK\$'000
Turnover	40,474	156,156
Cost of sales	(35,241)	(135,634)
Other operating income	179	2,793
Other operating expenses	(3,053)	(9,529)
Finance costs	(1,144)	(3,512)
Profit from operations	1,215	10,274
Share of result of an associate	—	(7)
Profit before taxation	1,215	10,267
Taxation	3	(486)
Profit after taxation	1,218	9,781

During the year, Sinolink Industrial paid HK\$35,213,000 (2001: contributed HK\$22,034,000) to the Group's net operating cash flows, paid HK\$85,542,000 (2001: HK\$33,585,000) in respect of investing activities and contributed HK\$113,991,000 (2001: HK\$28,360,000) in respect of financing activities.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 10. DISCONTINUING OPERATIONS (Continued)

The carrying amounts of the assets and liabilities of Sinolink Industrial at the date of disposal, and at 31 December 2002, are disclosed as follows:

	6.5.2002 HK\$'000	31.12.2001 HK\$'000
Total assets	<u>397,133</u>	<u>234,658</u>
Total liabilities	<u>(398,263)</u>	<u>(232,309)</u>

A gain of HK\$84 million arose on the disposal of Sinolink Industrial, being the proceeds of disposal less the carrying amount of the subsidiary's net assets and attributable goodwill (see note 30). No tax charge or credit arose from the transaction.

## 11. TAXATION

	2002 HK\$'000	2001 HK\$'000
The tax charge comprises:		
Profit for the year		
PRC excluding Hong Kong	<u>16,068</u>	<u>10,499</u>

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% 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 year, which ranged from 15% to 33%.

Deferred taxation has not been provided for in the financial statements as there were no significant timing differences arising during the year or at the balance sheet date.



# Notes to the Financial Statements

For the year ended 31 December 2002

## 12. DIVIDENDS

The Company paid an interim dividend of HK\$0.03 per share (2001: HK\$0.03) amounting to HK\$55,483,110 (2001: HK\$45,600,000).

On 12 April 2001, the Company distributed a special interim dividend of HK\$15,039,000 by way of dividend in specie of 15,200,000 shares of Panva Gas ("Panva Shares") in the proportion of 20 Panva Shares for every 2,000 shares of the Company held.

## 13. EARNINGS PER SHARE

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

	2002 HK\$'000	2001 HK\$'000
Earnings for the purposes of basic earnings per share	294,429	116,971
Effect of dilutive potential shares:		
Interest on convertible note	824	2,759
Earnings for the purposes of diluted earnings per share	<u>295,253</u>	<u>119,730</u>
Weighted average number of shares for the purposes of basic earnings per share	1,820,292,000	1,672,000,000
Effect of dilutive potential ordinary shares:		
Options	15,133,000	–
Convertible notes	<u>81,450,000</u>	<u>134,592,000</u>
Weighted average number of shares for the purposes of diluted earnings per share	<u>1,916,875,000</u>	<u>1,806,592,000</u>

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share warrants as the exercise price of those warrants is higher than the average market price for the Company's shares for year 2002.

The computation of diluted earning per share in 2001 does not assume the exercise of the Company's outstanding share options as the average share price of those options was lower than the exercise price for the Company's shares for year 2001.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 14. PROPERTY, PLANT AND EQUIPMENT

	Medium term leasehold land and buildings in the PRC HK\$'000	Construction in progress HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Gas pipelines HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
<b>COST OR VALUATION</b>							
At 1 January 2002	217,374	57,089	278,416	32,960	27,561	-	613,400
Acquisition of a subsidiary	4,296	69,604	3,339	15	127	348	77,729
Disposal of a subsidiary	(90,000)	(119,133)	(136,412)	(3,130)	(1,100)	-	(349,775)
Additions	22,273	146,932	19,177	587	6,599	-	195,568
Disposals	(13,623)	(1,790)	(1,011)	(840)	(854)	-	(18,118)
Reclassification	-	-	(17,036)	-	-	17,036	-
Transfer	-	(140,463)	836	-	-	139,627	-
At 31 December 2002	140,320	12,239	147,309	29,592	32,333	157,011	518,804
Comprising:							
At cost	-	12,239	147,309	29,592	32,333	157,011	378,484
At valuation 2001	140,320	-	-	-	-	-	140,320
	140,320	12,239	147,309	29,592	32,333	157,011	518,804
<b>DEPRECIATION</b>							
At 1 January 2002	26,100	-	82,526	16,200	7,701	-	132,527
Disposal of subsidiary	-	-	(61,373)	(2,947)	(569)	-	(64,889)
Provided for the year	6,116	-	10,324	5,336	7,211	2,743	31,730
Eliminated on disposals	(11,707)	-	(255)	(677)	(600)	-	(13,239)
Reclassification	-	-	(2,370)	-	-	2,370	-
At 31 December 2002	20,509	-	28,852	17,912	13,743	5,113	86,129
<b>NET BOOK VALUES</b>							
At 31 December 2002	119,811	12,239	118,457	11,680	18,590	151,898	432,675
At 31 December 2001	191,274	57,089	195,890	16,760	19,860	-	480,873

# Notes to the Financial Statements

For the year ended 31 December 2002

## 14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The leasehold land and buildings of the Group in the PRC were valued at 31 January 2001 by Messrs. DTZ Debenham Tie Leung Limited, Chartered Surveyors, on an opened market value basis. Messrs. Diz Debenham Tie Leung Limited are not connected with the Group.

No professional valuation of the leasehold land and buildings was carried out at 31 December 2002 as, in the opinion of the directors, the carrying value of the leasehold land and buildings was not materially different from the open market value at 31 January 2001.

If the leasehold land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation of HK\$66,322,000 (2001: HK\$169,057,000).

The net book value of land and buildings includes an amount of approximately HK\$Nil (2001: HK\$9,795,000) in respect of assets rented out under operating lease.

The Group had pledged property, plant and equipment with a net book value of approximately HK\$8,135,000 (2001: HK\$8,337,000) to secure banking facilities granted to the Group (note 39).

	Furniture, fixtures and equipment HK\$'000
<b>THE COMPANY</b>	
<b>COST</b>	
At 1 January 2002	815
Additions	1,594
	<hr/>
At 31 December 2002	2,409
	<hr/>
<b>DEPRECIATION</b>	
At 1 January 2002	455
Provided for the year	595
	<hr/>
	1,050
	<hr/>
<b>NET BOOK VALUE</b>	
At 31 December 2002	1,359
	<hr/>
At 31 December 2001	360
	<hr/>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 15. GOODWILL

	THE GROUP 2002 HK\$'000
<b>COST</b>	
At 1 January 2002	22,767
Arising on acquisition during the year	2,461
Disposal during the year	(709)
	<hr/>
At 31 December 2002	24,519
	<hr/>
<b>AMORTISATION</b>	
At 1 January 2002	698
Provided for the year	1,217
Eliminated on disposal	(55)
	<hr/>
At 31 December 2002	1,860
	<hr/>
<b>NET BOOK VALUE</b>	
At 31 December 2002	22,659
	<hr/> <hr/>
At 31 December 2001	22,069
	<hr/> <hr/>

The amortisation period adopted for goodwill is 20 years.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 16. NEGATIVE GOODWILL

	THE GROUP 2002 HK\$'000
GROSS AMOUNT	
At 1 January 2002	(19,100)
Arising on acquisition during the year	(9,485)
	<hr/>
At 31 December 2002	(28,585)
	<hr/>
RELEASED TO INCOME	
At 1 January 2002	145
Released to income in the year	1,855
	<hr/>
At 31 December 2002	2,000
	<hr/>
CARRYING AMOUNT	
At 31 December 2002	(26,585)
	<hr/>
At 31 December 2001	(18,955)
	<hr/>

The negative goodwill arose on the Group's acquisition of an additional interest in Shenzhen Fuhuade Electric Power Co., Ltd. in November 2001 and acquisition of Weiyuan Panva Gas Co., Ltd. ("Weiyuan Panva") in September 2002 amounting to HK\$19,100,000 and HK\$9,485,000 respectively being the excess of the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary at the date of acquisition over the cost of acquisition. The negative goodwill is being released to income on a straight line basis of 11 years and 30 years respectively, the remaining weighted average useful life of the depreciable assets acquired.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 17. INVESTMENTS IN SUBSIDIARIES

	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	670,174	670,174
Amounts due from subsidiaries	208,159	381,554
	<u>878,333</u>	<u>1,051,728</u>

The amounts due from subsidiaries are interest-free, unsecured and have no fixed term of repayment. In the opinion of the directors, the amount will not be repayable within one year and therefore classified as non-current assets.

Particulars of the subsidiaries as at 31 December 2002 are as follows:

Name	Place of incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held	Principal activities
Directly-owned subsidiaries				
I-Happy Profit Limited	BVI	1 share of US\$1 each	100%	Investment holding
Kenson Investment Limited	BVI	1 share of US\$1 each	100%	Investment holding
Sinolink Progressive Limited	BVI	47,207 shares of US\$1 each	100%	Investment holding
Supreme All Investments Limited	BVI	1 share of US\$1 each	100%	Investment holding
Smart Orient Investments Limited	BVI	1 share of US\$1 each	100%	Investment holding

# Notes to the Financial Statements

For the year ended 31 December 2002

## 17. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held	Principal activities
Indirectly-owned subsidiaries				
China Pan River Group Ltd.	BVI	1 share of US\$1 each	100%	Investment holding
Chenzhou Pan River Gas Industry Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB9,000,000	55%	Wholesaling and retailing of LP Gas
China Overlink Holdings Co., Limited	BVI	1 share of US\$1 each	100%	Investment holding
Chuzhou YPC & Panva Energy Co., Limited	PRC – Sino-foreign equity joint venture	RMB1,000,000	60%	Wholesaling and retailing of LP Gas
Firstline Investment Limited	BVI	1 share of US\$1 each	100%	Investment holding
Future Perfect Properties Limited	BVI	1 share of US\$1 each	100%	Property holding
Link Capital Investments Limited	BVI	50,000 shares of US\$1 each	100%	Investment holding
Nanjing Panva LPG Company Ltd.	PRC – Sino-foreign equity joint venture	RMB50,000,000	55%	Wholesaling and retailing of LP Gas

# Notes to the Financial Statements

For the year ended 31 December 2002

## 17. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held	Principal activities
Indirectly-owned subsidiaries (Continued)				
Nanjing Panva Pipeline Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	US\$1,010,000	100%	The provision of LP Gas and related services and gas pipeline construction
Nanling Pan River LPG Co., Ltd.	PRC – Limited liability company	RMB2,000,000	55%	Wholesaling and retailing of LP Gas
Ocean Diamond Limited	BVI	50,000 shares of US\$1 each	100%	Investment holding
Panriver Investments Company Limited	PRC – Limited liability company	US\$30,000,000 (Note 1)	100%	Investment holding
Panvs Gas Holdings Limited	BVI	605,076,000 shares of HK\$0.1 each	70.95%	Investment holding
Panva Gas (Yunnan) Co., Ltd.	PRC – Limited liability company	RMB58,840,000	56.94%	Wholesaling and retailing of LP Gas
Pan River Enterprises (Changde) Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB6,000,000	85%	Wholesaling and retailing of LP Gas



# Notes to the Financial Statements

For the year ended 31 December 2002

## 17. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held	Principal activities
Indirectly-owned subsidiaries (Continued)				
Pan River Enterprises (Changsha) Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB40,000,000	60%	Wholesaling and retailing of LP Gas
Pan River Enterprises (Hengyang) Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB6,000,000	84%	Wholesaling and retailing of LP Gas
Pan River Enterprises (Wuhu) Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB32,000,000	55%	Wholesaling and retailing of LP Gas
Pan River Gas (China Southwest) Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB16,000,000	50.10%	Wholesaling and retailing of LP Gas
Pengxi Panva Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB3,590,000	90%	The provision of natural gas and related services and gas pipeline construction
Shenzhen China Overseas- Sinolink Property Management Co., Ltd.	PRC – Limited liability company	RMB1,500,000	100%	Property management

# Notes to the Financial Statements

For the year ended 31 December 2002

## 17. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held	Principal activities
Indirectly-owned subsidiaries (Continued)				
Shenzhen Mangrove West Coast Property Development Co. Ltd.	PRC – Sino-foreign equity joint venture	RMB10,000,000	100%	Property development
Shenzhen Sinolink Enterprises Co., Ltd.	PRC – Foreign equity joint venture	RMB375,000,000	80%	Property development
Shenzhen Sinolink Property Management Co., Ltd.	PRC – Foreign equity joint venture	RMB2,000,000	85%	Property management
Shenzhen Weikong Decorate Engineering Co., Ltd.	PRC – Foreign equity joint venture	RMB5,000,000	100%	Decoration, interior design and related services
Singkong Investments Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Investment holding
Sinolink International Investment (Group) Limited	BVI	1 share of US\$1 each	100%	Investment holding
Sinolink LPG Development Limited	BVI	1 share of US\$1 each	100%	Investment holding
Sinolink LPG Investment Limited	BVI	1 share of US\$1 each	100%	Investment holding

# Notes to the Financial Statements

For the year ended 31 December 2002

## 17. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held	Principal activities
Indirectly-owned subsidiaries (Continued)				
Sinolink Petrochemical Investment Limited	BVI	1 share of US\$1 each	100%	Investment holding
Sinolink Power Investment Limited	BVI	1 share of US\$1 each	100%	Investment holding
Sinolink Properties Agent Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Property agent
Sinolink Worldwide (HK) Company Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100%	Investment holding
Weiyuan Panva Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB5,000,000	99.5%	The provision of natural gas and related services and gas pipeline construction
Wuhu Pan River Jiangbei Enterprises Co., Ltd. company	PRC – Limited liability	RMB500,000	51%	Wholesaling and retailing of LP Gas
Xiangtan Pan River Energy Industry Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB10,000,000	55%	Wholesaling and retailing of LP Gas
Yangzi Petrochemical Baijiang Energy Resources Co., Ltd.	PRC – Sino-foreign equity joint venture	US\$7,230,000	50% (Note 2)	Wholesaling and retailing of LP Gas

# Notes to the Financial Statements

For the year ended 31 December 2002

## 17. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held	Principal activities
Indirectly-owned subsidiaries (Continued)				
Yiyang Pan River Enterprises Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB5,000,000	60%	Wholesaling and retailing of LP Gas
Yongzhou Pan River Enterprises Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB5,000,000	60%	Wholesaling and retailing of LP Gas
Ziyang Panva Gas Co., Ltd. (formerly known as Ziyang Gas Company)	PRC – Sino-foreign equity joint venture construction	RMB9,890,000	90%	The provision of natural gas and related services and gas pipeline
Zunyi Pan River Gas Co., Ltd.	PRC – Limited company	RMB4,200,000	50.10%	Wholesaling and retailing of LP Gas

Note 1: Panriver Investments Company Limited is a foreign wholly-owned enterprise with a tenure of 50 years. At the date of this report, Panriver Investments Company Limited has an outstanding registered capital contribution of US\$9,000,000 which needs to be paid up by China Pan River Group Ltd. by 9 March 2003 or on such later date as approved by the relevant PRC governing authority. The deadline is automatically extended 1 month to 9 April 2003 by concession. Panriver Investments Company Limited is applying to further extend the deadline to 10 June 2003.

Note 2: Yangzi Petrochemical Baijiang Energy Resources Co., Ltd. is a subsidiary of the Company because the Company has control over the board of directors.

None of the subsidiaries had issued any debt securities at 31 December 2002 or at any time during the year.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 18. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Listed shares at cost	–	–	163,563	–
Share of net (liabilities) assets	39,005	(2,082)	–	–
Amounts due from associates	10,908	8,504	–	–
Loan to an associate	27,303	–	–	–
Goodwill on acquisition of an associate	52,666	–	–	–
	<u>129,882</u>	<u>6,422</u>	<u>163,563</u>	<u>–</u>
Market value of listed shares			<u>83,542</u>	<u>–</u>

The amounts due from associates are interest free and unsecured. The amount is classified under non-current assets as the directors are of the opinion that they will not be repaid in the forthcoming year.

The goodwill on acquisition of associate arose on the acquisition of Enerchina Holdings Limited in 2002. The goodwill of HK\$54,482,000 had been arisen on the acquisition. The amortisation period adopted for goodwill is 20 years. The amount released to income in the current year amounting to HK\$1,816,000 has been included in the consolidated income statement.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 18. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2002, the Group had interests in the following associates:

Name of associate	Place of incorporation/ establishment and operation	Issued and fully paid up registered capital	Proportion of nominal value of registered capital held by the Group	Principal activities
Shenzhen Xiangdu F.& E. Co., Ltd.	PRC- Foreign equity joint venture	RMB4,000,000	45%	Restaurant operation
Enerchina Holdings Limited ("Enerchina")	Bermuda	3,632,245,567 shares of HK\$0.01 each	29.99%	Investment holding
Shenzhen Fuhuade Electric Power Co., Ltd. ("Fuhuade")	PRC - Foreign equity joint venture	RMB100,000,000	59.99% (Note 1)	Electricity supply

Note 1: The percentage of equity interest attributable to the Group is 44.99%.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 19. INVESTMENT IN SECURITIES

	Held to maturity debt securities		Investment securities		Other investments		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>								
Equity securities								
Listed – Hong Kong	-	-	-	23,214	31,455	6,992	31,455	30,206
Unlisted	-	-	1,949	594	-	-	1,949	594
	<u>-</u>	<u>-</u>	<u>1,949</u>	<u>23,808</u>	<u>31,455</u>	<u>6,992</u>	<u>33,404</u>	<u>30,800</u>
Debt securities								
Unlisted	116,000	-	-	-	-	-	116,000	-
	<u>116,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,000</u>	<u>-</u>
Total								
Listed – Hong Kong	-	-	-	23,214	31,455	6,992	31,455	30,206
Unlisted	116,000	-	1,949	594	-	-	117,949	594
	<u>116,000</u>	<u>-</u>	<u>1,949</u>	<u>23,808</u>	<u>31,455</u>	<u>6,992</u>	<u>149,404</u>	<u>30,800</u>
Market value of listed securities	-	-	-	11,753	31,455	6,992	31,455	18,745
Carrying amount analysed for reporting purposes as:								
Non-current	116,000	-	1,949	23,808	-	-	117,949	23,808
Current	-	-	-	-	31,455	6,992	31,455	6,992
	<u>116,000</u>	<u>-</u>	<u>1,949</u>	<u>23,808</u>	<u>31,455</u>	<u>6,992</u>	<u>149,404</u>	<u>30,800</u>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 19. INVESTMENT IN SECURITIES (Continued)

	Held to maturity debt securities		Investment securities		Total	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE COMPANY						
Debt securities						
Unlisted	116,000	-	-	-	116,000	-
Equity securities						
Listed – Hong Kong	-	-	5,512	6,641	5,512	6,641
Market value of listed securities	<u>116,000</u>	<u>-</u>	<u>5,512</u>	<u>6,641</u>	<u>121,512</u>	<u>6,641</u>
Carrying amount analysed for reporting purposes as:						
Non-current	116,000	-	-	-	116,000	-
Current	-	-	5,512	6,641	5,512	6,641
	<u>116,000</u>	<u>-</u>	<u>5,512</u>	<u>6,641</u>	<u>121,512</u>	<u>6,641</u>



# Notes to the Financial Statements

For the year ended 31 December 2002

## 20. STOCK OF PROPERTIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Properties under development for sale		
Cost plus attributable profit less foreseeable losses	1,383,645	1,539,397
Less: Progress payments received	(1,929)	–
	<u>1,381,716</u>	<u>1,539,397</u>
Stock of unsold properties	262,638	63,027
	<u>1,644,354</u>	<u>1,602,424</u>

Included in the stock of properties the interest capitalised of HK\$85,809,000 (2001: HK\$46,859,000).

## 21. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
At cost:		
Gas fuel	11,512	20,078
Diesel fuel	–	12,737
Consumable stores	12,239	6,653
	<u>23,751</u>	<u>39,468</u>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 22. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit terms ranging from 0 to 180 days to its customers. However, for the properties customers, general credit terms of up to 3 years are allowed by the Group. Included in trade and other receivables are trade receivables totalling from HK\$114,327,000 (2001: HK\$139,920,000), the aged analysis of which is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Aged:		
0 to 90 days	96,856	109,293
91 to 180 days	5,357	18,233
181 to 360 days	4,784	299
over 360 days	7,330	12,095
	<u>114,327</u>	<u>139,920</u>
Less: Non-current portion	(1,269)	(2,473)
	<u>113,058</u>	<u>137,447</u>

## 23. AMOUNT DUE FROM AN ASSOCIATE

The loan to associate is payable on demand and carries interests at the rate of 3% per annum payable semi-annually, the payment of the amount is secured by to the shares of Sinolink Industrial Limited, share of Sinolink Electric Power Co. Limited ("SEPCL") and letter of undertaking to be executed by SEPCL.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 24. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$164,058,000 (2001: HK\$111,981,000), the aged analysis of which is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Aged:		
0 to 90 days	140,461	93,116
91 to 180 days	121	5,986
181 to 360 days	804	8,824
over 360 days	22,672	4,055
	<u>164,058</u>	<u>111,981</u>

## 25. AMOUNT DUE TO SUBSIDIARIES

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

## 26. AMOUNTS DUE FROM/TO MINORITY SHAREHOLDERS

These balances are unsecured, interest free and repayable on demand.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 27. BORROWINGS

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank loans				
– secured	189,529	189,804	–	–
– unsecured	522,950	675,412	–	–
Other loans	–	561	–	–
Convertible notes	206,600	55,183	81,600	55,183
	<u>919,079</u>	<u>920,960</u>	<u>81,600</u>	<u>55,183</u>
The maturity of the above loans is as follows:				
On demand or within one year	14,599	410,170	–	55,183
More than two years but not exceeding five years	904,480	510,790	81,600	–
	<u>919,079</u>	<u>920,960</u>	<u>81,600</u>	<u>55,183</u>
Less: Amount due within one year shown under current liabilities	<u>(14,599)</u>	<u>(410,170)</u>	<u>–</u>	<u>(55,183)</u>
Non-current portion	<u>904,480</u>	<u>510,790</u>	<u>81,600</u>	<u>–</u>

During the year, the convertible loan note due to a director, Mr. Ou Yaping, issued on 12 February 1999 was converted into 134,592,000 shares of the Company at an adjusted conversion price of HK\$0.41 per share.

The Company issued a new convertible loan note to Silver Grant International Industries Limited, in the amount of HK\$81,600,000 on 6 May 2002. 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.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 27. BORROWINGS (Continued)

The remaining amount of HK\$125,000,000, being the exchangeable note issued by a subsidiary of the Company, would be exchangeable into shares of 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 14 May 2004 at par. Interest is payable at 2% per annum.

## 28. SHARE CAPITAL

	Number of shares		Share capital	
	2002	2001	2002	2001
			HK\$'000	HK\$'000
Authorised:				
Shares of HK\$0.1 each				
Balance as at 1 January	4,800,000,000	2,000,000,000	480,000	200,000
Increased during the year	–	2,800,000,000	–	280,000
Balance as at 31 December	<u>4,800,000,000</u>	<u>4,800,000,000</u>	<u>480,000</u>	<u>480,000</u>
Issued and fully paid:				
Balance as at 1 January	1,672,000,000	1,520,000,000	167,200	152,000
Bonus issue of shares	–	152,000,000	–	15,200
Share option exercised (note 34)	42,845,000	–	4,285	–
Convertible note converted	<u>134,592,000</u>	–	<u>13,459</u>	–
Balance as at 31 December	<u>1,849,437,000</u>	<u>1,672,000,000</u>	<u>184,944</u>	<u>167,200</u>

### Notes:

On 26 October 2001, the Company issued 152,000,000 shares of HK\$0.10 each in the Company as bonus issue of shares on the basis of one new share of HK\$0.10 each for every ten existing shares of HK\$0.10 each held by the shareholders of the Company by the way of capitalization of the sum of HK\$15,200,000 standing to the credit of the share premium account of the Company. The new shares rank pari passu with the existing shares in all respects. On the same date, the authorised share capital increased by 2,800,000,000 share of HK\$0.1 each.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 28. SHARE CAPITAL (Continued)

Notes: (Continued)

During the year, the subscription rights attached to 15,950,000 shares, 26,675,000 shares and 220,000 share options were exercised at the subscription price of HK\$0.33, HK\$0.41 and HK\$0.5 per share respectively resulting in the issue of 42,845,000 shares of HK\$0.1 each in the Company for a total cash consideration before expenses of HK\$16,310,250.

On 8 February 2002, convertible note of HK\$55,183,000 was converted into 134,592,000 at the price of HK\$0.41.

At 31 December 2002, the Company had outstanding 184,877,700 warrants to be exercised at any time on or before 29 November 2003. Each warrant entitled its holder to subscribe in cash at a price of HK\$1 for one ordinary share of the Group. Exercise in full of such warrants would result in the issue of 184,877,000 additional ordinary shares of HK\$0.1 each.

All the shares which were issued during the year rank pari passu with the then existing shares in all respects.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 29. RESERVES

	Share premium account HK\$'000	Assets revaluation reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	General reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE GROUP									
At 1 January 2001	293,853	-	(5,742)	(5,985)	51,782	-	368,262	345,018	1,047,188
Exchange rate adjustment	-	-	8	-	-	-	-	-	8
Capitalisation of shares	(15,200)	-	-	-	-	-	-	-	(15,200)
Realised on disposal of a subsidiary	-	(1,096)	24	65	(177)	(207)	-	-	(1,391)
Revaluation of land and buildings	-	20,558	-	-	-	-	-	-	20,558
Contribution from a minority shareholder	-	-	-	-	-	1,065	-	-	1,065
Transfer from profit and loss account	-	-	-	-	6,117	-	-	(6,117)	-
Profit for the year	-	-	-	-	-	-	-	116,971	116,971
Dividend	-	-	-	-	-	-	-	(60,639)	(60,639)
At 31 December 2001	278,653	19,462	(5,710)	(5,920)	57,722	858	368,262	395,233	1,108,560
Exchange rate adjustment	-	-	(211)	-	-	-	-	-	(211)
Realised on disposal of a subsidiary	-	(10,611)	(294)	8,511	(3,821)	(77)	(480)	-	(6,772)
Premium arising on issue of shares	53,749	-	-	-	-	-	-	-	53,749
Transfer from profit and loss account	-	-	-	-	6,130	-	-	(6,130)	-
Profit for the year	-	-	-	-	-	-	-	294,429	294,429
Dividend	-	-	-	-	-	-	-	(55,483)	(55,483)
At 31 December 2002	332,402	8,851	(6,215)	2,591	60,031	781	367,782	628,049	1,394,272
		Share premium account HK\$'000		Contributed surplus HK\$'000		Retained profits HK\$'000		Total HK\$'000	
THE COMPANY									
At 1 January 2001		293,853		572,173		70,392		936,418	
Capitalisation of shares		(15,200)		-		-		(15,200)	
Profit for the year		-		-		10,242		10,242	
Dividend		-		-		(60,639)		(60,639)	
At 31 December 2001		278,653		572,173		19,995		870,821	
Premium arising on issue of shares		53,749		-		-		53,749	
Profit for the year		-		-		94,722		94,722	
Dividend		-		-		(55,483)		(55,483)	
At 31 December 2002		332,402		572,173		59,234		963,809	

# Notes to the Financial Statements

For the year ended 31 December 2002

## 29. RESERVES (Continued)

Included in the above are the Group's share of post-acquisition reserves of its associates as follows:

	Accumulated loss HK\$'000
At 1 January 2002	(4,034)
Loss for the year, accumulated	<u>(22,749)</u>
At 31 December 2002	<u><u>(26,783)</u></u>

The contributed surplus of the Company represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1998.

The contributed surplus of the Group represents the differences between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1998.

The general reserve represents the Enterprise Expansion Fund and General Reserve Fund set aside by certain subsidiaries in accordance with the relevant laws and regulations of the PRC, which are not available for distribution.

The capital reserve represents the contribution from the minority shareholders of the subsidiaries waived.

Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is available for distribution. 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.



# Notes to the Financial Statements

For the year ended 31 December 2002

## 29. RESERVES (Continued)

In the opinion of the directors, the Company's reserves available for distribution to shareholders are as follows:

	2002 HK\$'000	2001 HK\$'000
Contributed surplus	572,173	572,173
Retained earnings	<u>59,234</u>	<u>19,995</u>
	<u>631,407</u>	<u>592,168</u>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 30. DISPOSAL OF A SUBSIDIARY

As referred to note 10, on 6 May 2002 the Group discontinued its electricity supply operations at the time of disposal of its subsidiary, Sinolink Industrial to Enerchina. The net assets of Sinolink Industrial at the date of disposal were as follows:

	2002 HK\$'000	2001 HK\$'000
Net (liabilities) assets disposed of:		
Property, plant and equipment	284,886	1,554
Interests in associate	564	–
Inventories	15,073	134
Trade receivables	9,613	109
Bank balances and cash	83,479	34
Other receivables, deposits and prepayments	3,518	60
Trade payables	(7,028)	(260)
Other payables and accruals	(20,167)	(450)
Loan from a minority shareholder of a subsidiary	(27,301)	–
Shareholder's loan	(137,902)	–
Tax payable	(483)	(258)
Bank borrowings	(174,144)	–
Minority interests	(31,238)	(706)
	(1,130)	217
Realisation of reserves on disposal:		
Properties revaluation account	(10,611)	–
Translation reserve	(294)	–
Goodwill reserve	8,511	–
General reserve	(3,821)	–
Capital reserve	(77)	–
Contributed surplus	(480)	–
Write back of provision made in prior year	–	(500)
	(7,902)	(283)
Deferred gain on disposal	77,000	–
Unrealised gain on disposal	68,987	–
Gain on disposal	84,048	283
Total consideration	222,133	–
Satisfied by:		
Cash consideration	163,035	–
Debt assignment	(137,902)	–
Loan	197,000	–
	222,133	–
Net cash inflow (outflow) arising on disposal:		
Cash received	163,035	–
Bank balance and cash disposed of	(83,479)	(34)
	79,556	(34)

# Notes to the Financial Statements

For the year ended 31 December 2002

## 30. DISPOSAL OF A SUBSIDIARY (Continued)

According to the sale and purchase agreement dated 8 March 2002 ("Agreement"), the Group guaranteed Enerchina approximately RMB135,000,000 profit in respect of a subsidiary of Sinolink Industrial, Fuhuade for the two years ending 31 December 2003. According to the Agreement, balance of the consideration of HK\$197,000,000 shall be payable on demand.

On 6 May 2002, the Group acquired 29.99% of Enerchina which then became the associate of the Group. Accordingly, part of the gain on disposal of Sinolink Industrial because unrealised until the interest in Enerchina is disposed of.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 31. ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired 90% and 99.5% of the registered capital of Pengxi Panva Gas Co., Ltd. and Weiyuan Panva Gas Co., Ltd.. Both acquisitions have been accounted for by the acquisition method of accounting. The amount of goodwill and negative goodwill arising as a result of the acquisitions was HK\$2,461,000 and HK\$9,485,000 respectively.

	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Property, plant and equipment	77,729	24,516
Other investments	344	782
Inventories	126	2,144
Trade receivables	782	55
Other receivables, deposits and prepayments	1,386	2,325
Tax recoverable	–	211
Bank and cash balances	1,033	6,984
Trade payables	(3,119)	(2,345)
Other payables and accruals	(34,960)	(32,421)
Borrowings	(660)	–
Minority interests	(1,282)	(1,559)
	<u>41,379</u>	<u>692</u>
Goodwill	2,461	13,340
Negative goodwill	(9,485)	–
	<u>(9,485)</u>	<u>–</u>
Total consideration	<u>34,355</u>	<u>14,032</u>
Satisfied by cash	<u>34,355</u>	<u>14,032</u>
Net cash outflow arising on acquisition:		
Cash consideration	(34,355)	(14,032)
Bank balances and cash acquired	1,033	6,984
	<u>(33,322)</u>	<u>(7,048)</u>

The subsidiaries acquired during the year contributed HK\$71,036,000 to the Group's turnover, and HK\$56,329,000 to the Group's profit from operations.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 32. MAJOR NON-CASH TRANSACTIONS

During the year, a minority shareholder contributed HK\$Nil (2001: HK\$2,001,000) to the Group in the form of property, plant and equipment.

## 33. RELATED PARTY TRANSACTIONS

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

	2002 HK\$'000	2001 HK\$'000
Skillful Assets Limited (Notes a & b)		
– Rental paid thereto (Note c)	1,047	1,200
Mr. Ou Yaping (Note a)		
– Convertible note interest paid thereto (Note d)	287	2,759
Shenzhen Xiangdu F. & E. Co., Ltd. (Note a)		
– Rental received therefrom an associate (Note c)	–	393
Enerchina (Note a)		
– Interest received therefrom an associate (Note d)	<u>3,886</u>	<u>–</u>

Notes:

- Transactions with these related parties are regarded as connected transactions as set out in Chapter 14 of the Listing Rules of the Stock Exchange.
- A company controlled by Mr. Ou Yaping and of which Mr. Ou Yaping is a director.
- Rental expenses were determined by the directors based on the directors' estimates of fair market value.
- The interest expense was determined in accordance with the loan agreement. The interest rate is 5% per annum for the convertible note and 3% per annum for the loan from Enerchina.

A subsidiary of the Group provided several guarantees to Fuhuade, a subsidiary of Enerchina, which is an associate of the Group amounting to RMB69 million. The guarantees are for a term of six years plus two years on a negotiation basis.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 34. SHARE OPTION

The Company's share option schemes were adopted pursuant to the resolutions passed on 11 May 1998 (the "Old Scheme") and on 24 May 2002 (the "New Scheme") for providing incentives to directors and eligible employee and unless otherwise cancelled or amended. The New Scheme will expire on 23 May 2012. The Old Scheme was terminated on 24 May 2002. Under the Old Scheme and the New Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company, any of its subsidiaries, to subscribe for shares in the Company.

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

Option type	Outstanding at beginning of year	Granted during year	Exercised during year	Lapsed during year	Adjustment for the bonus issue during the year	Outstanding at end of year
For the year ended 31 December						
2002	<u>103,796,000</u>	<u>45,800,000</u>	<u>42,845,000</u>	<u>58,380,000</u>	<u>-</u>	<u>48,371,000</u>
For the year ended 31 December						
2001	<u>59,450,000</u>	<u>36,010,000</u>	<u>-</u>	<u>1,100,000</u>	<u>9,436,000</u>	<u>103,796,000</u>

Details of share options held by the Company's directors during the year are as follows:

	2002	2001
At 1 January	86,900,000	61,600,000
Granted during the year	27,800,000	25,300,000
Exercised during the year	(36,850,000)	-
Lapsed during the year	<u>(44,000,000)</u>	<u>-</u>
	<u>33,850,000</u>	<u>86,900,000</u>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 34. SHARE OPTION (Continued)

No charge is recognised in the income statement in respect of the value of share options granted.

The consideration received during the year was HK\$56.

Details of share options granted during the year are as follows:

	2002 01.09.2004 to 23.04.2006	2001 01.01.2005 to 01.06.2006
Expiry date		
Exercise price	HK\$0.67 to HK\$0.81	HK\$0.33 to HK\$0.41
Aggregate proceeds if shares are issued	<u>HK\$32,226,000</u>	<u>HK\$12,939,000</u>

Details of share options exercised during the year are as follows:

	2002 03.09.2002 to 01.06.2006	2001
Expiry date		
Exercise price	HK\$0.33 to HK\$0.50	–
Aggregate issue proceeds	<u>HK\$16,310,000</u>	<u>–</u>

# Notes to the Financial Statements

For the year ended 31 December 2002

## 34. SHARE OPTION (Continued)

As at 31 December 2002, details of options are as follows:

	Expiry date	Exercise price	2002	2001
“In the money”	03.09.2002 to 01.01.2004	HK\$0.41 to HK\$0.50	330,000	20,185,000
	01.01.2005 to 01.06.2006	HK\$0.33 to HK\$0.41	12,441,000	39,611,000
“Out of money”	05.01.2002 to 01.09.2004 to 23.04.2006	HK\$0.55 to HK\$0.64	–	44,000,000
		HK\$0.67 to HK\$0.81	35,600,000	–
			<u>48,371,000</u>	<u>103,796,000</u>

The exercise prices have been adjusted to reflect bonus share dividend issued during year 2001.

The share prices on the dates of exercise of options on 6 March 2002, 8 April 2002, 24 April 2002, 14 May 2002, 18 June 2002 and 5 August 2002 were HK\$0.66, HK\$0.72, HK\$0.90, HK\$1.12, HK\$0.82 and HK\$0.61 respectively.

The share prices on the dates of issue of shares upon exercise of options on 7 March 2002, 8 April 2002, 24 April 2002, 14 May 2002, 18 June 2002 and 5 August 2002 were HK\$0.67, HK\$0.72, HK\$0.79, HK\$1.12, HK\$0.82 and HK\$0.61 respectively.



# Notes to the Financial Statements

For the year ended 31 December 2002

## 35. RETIREMENT BENEFITS SCHEME

The Group provides a provident fund scheme for its Hong Kong employees and the scheme is funded by contributions from employers and employees. The amount of the Group's contributions is based on a specified percentage of the basic salary of the employees concerned. Forfeited contributions in respect of unvested benefits of employees leaving the scheme prior to benefits being vested are used to reduce the Group's ongoing contributions.

Moreover, pursuant to the relevant PRC regulations, relevant subsidiaries are required to contribute amounts ranging from approximately 7 to 25 per cent. of the aggregate staff wages to certain defined contribution retirement benefits schemes for the Group's employees in the PRC.

Details of the contributions made by the Group during the year are as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Group contributions to staff provident fund	5,925	4,170
Forfeited contributions utilised	(33)	(94)
Net contributions charged to operating profit	<u>5,892</u>	<u>4,076</u>
Un-utilised forfeited contributions	<u>-</u>	<u>-</u>

With the implementation of the Mandatory Provident Fund ("MPF") Schemes Ordinance on 1 December 2000 in Hong Kong, the Group also participates in master trust MPF schemes operated by independent service providers. Mandatory contributions to these MPF schemes are made by both the employees and the Company at 5% of the employees' monthly relevant income capped at HK\$20,000. As the Group's retirement schemes in Hong Kong are non MPF-exempt recognised occupational retirement schemes ("ORSO schemes"), all the existing members have to lapse their ORSO schemes and participate in the MPF schemes from 1 December 2000.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 36. CONTINGENT LIABILITIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Guarantees given to banks as security for the mortgage loans arranged for the purchasers of the Group's properties	<u>254,546</u>	<u>122,026</u>
Corporate guarantee given to a bank to secure bank borrowings granted to an associate	<u>279,701</u>	<u>-</u>
	THE COMPANY	
	2002	2001
	HK\$'000	HK\$'000
Corporate guarantee given to a bank to secure general banking facilities granted to a subsidiary	<u>514,500</u>	<u>594,500</u>

On 17 May 1996, a legal claim in the amount of approximately HK\$13,585,000 was brought against Sinolink Worldwide (HK) Company Limited by a third party for charter hire charges overdue. After consultation with the legal adviser in relation to this litigation, the Directors believe that the claim will not have any material adverse effect on the financial position of the Group. No provision for loss has therefore been made by the Group in respect of the outstanding claim. Mr. Ou Yaping, the controlling shareholder of the Company, has agreed to indemnify the Group in connection with any amount payable and all expenses incurred (including legal costs) by Sinolink Worldwide (HK) Company Limited arising from or in connection with this claim in the event that Sinolink Worldwide (HK) Company Limited is unsuccessful in defending the claim.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 37. CAPITAL COMMITMENTS

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Commitments in respect of properties under development:		
– authorised but not contracted for	1,429,652	34,549
– contracted for but not provided in the financial statements	110,607	113,898
	<u>1,540,259</u>	<u>148,447</u>
Commitments in respect of interest in subsidiaries		
contracted for but not provided in the financial statements	87,618	92,473
	<u>1,627,877</u>	<u>240,920</u>

The Company had no capital commitments at the balance sheet date.

## 38. LEASE COMMITMENTS

At the balance sheet date, the Group had contracted with tenants for future minimum lease receipts in respect of land and buildings under non-cancellable operating leases which expire as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	225	757
In the second to fifth year inclusive	2	139
	<u>227</u>	<u>896</u>

The properties held has committed tenants for the periods up to two years after the balance sheet date.

# Notes to the Financial Statements

For the year ended 31 December 2002

## 38. LEASE COMMITMENTS (Continued)

At the balance sheet date, the Group and the Company had the following outstanding commitments in respect of land and buildings under non-cancellable operating leases which expire as follows:

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	7,739	3,067	1,560	1,560
In the second to fifth years inclusive	11,634	3,213	845	2,665
Over five years	20,724	30,061	–	–
	<u>40,097</u>	<u>36,341</u>	<u>2,405</u>	<u>4,225</u>

The operating leases are negotiated for terms up to 30 years.

## 39. PLEDGE OF ASSETS

The Group has pledged its land held under medium term leases included in the properties under development for sale, having a net book value of approximately HK\$388,030,000 (2001: HK\$230,899,000) 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 amounting to approximately HK\$8,135,000 (2001: HK\$8,337,000) to secure bank loans granted to the subsidiaries of the Company.

## 40. POST BALANCE SHEET EVENT

On 6 March 2003, Enerchina completed a rights issue exercise of three rights shares for every two existing shares held. Smart Orient Investments Limited, a wholly owned subsidiary of the Company, acted as the underwriter of the rights issue. A total of 5,525,888,349 shares were issued as a result raising approximately HK\$106,000,000. Upon completion of the rights issue, the Group increased its interests in Enerchina from 29.99% to 40.44%.

On 23 April 2003, Panva Gas issued Convertible Bonds due 2008 in the aggregate amount of US\$50 million (the "CB"). The conversion price of the CB was fixed at HK\$3.9169 per share representing a conversion premium of approximately 20% to the volume weighted average price of HK\$3.2641 per share for 11 April 2003, the date on which the conversion price was fixed. The CB will bear interests of 2% per annum payable semi-annually in arrears each year. The CB will be listed on the Luxembourg Stock Exchange.

# Financial Summary

For the year ended 31 December 2002

	For the year ended 31 December				
	1998	1999	2000	2001	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>RESULTS</b>					
Turnover	<u>1,010,305</u>	<u>744,421</u>	<u>1,518,830</u>	<u>1,527,305</u>	<u>1,525,406</u>
Profit before taxation	448,766	47,722	34,464	183,672	389,245
Taxation	<u>(63,729)</u>	<u>(5,736)</u>	<u>(7,049)</u>	<u>(10,499)</u>	<u>(16,068)</u>
Profit before minority interests	385,037	41,986	27,415	173,173	373,177
Minority interests	<u>(76,227)</u>	<u>(5,980)</u>	<u>(6,385)</u>	<u>(56,202)</u>	<u>(78,748)</u>
Profit for the year	<u>308,810</u>	<u>36,006</u>	<u>21,030</u>	<u>116,971</u>	<u>294,429</u>
<b>ASSETS AND LIABILITIES</b>					
Total assets	2,042,533	2,090,643	2,188,592	2,966,479	3,365,046
Total liabilities	(728,425)	(652,415)	(706,547)	(1,321,962)	(1,331,096)
Minority interests	<u>(170,693)</u>	<u>(260,091)</u>	<u>(282,857)</u>	<u>(368,757)</u>	<u>(454,734)</u>
Shareholders' funds	<u>1,143,415</u>	<u>1,178,137</u>	<u>1,199,188</u>	<u>1,275,760</u>	<u>1,579,216</u>

## Notes:

1. The results for the year ended 31 December 1998 have been prepared on a combined basis to indicate the results of the Group as if the Group structure, at the time when the Company's shares were listed on the Stock Exchange, had been in existence throughout the years concerned.
2. The results for the two years ended 31 December 2002 have been extracted from the audited consolidated income statement as set out on page 37 of the financial statements.

# Particulars of Major Properties

For the year ended 31 December 2002

## PROPERTIES HELD FOR DEVELOPMENT/SALE

Description	Type of use	GFA (M2)	Effective % held	Stage of completion	Anticipated completion
1. Car Park at Club House, Sinolink Garden Taining Road, Luohu District Shenzhen, Guangdong Province	Car Park	184	80%	Completed in 1998	N/A
2. Certain residential units at Sinolink Garden, Luohu District, Shenzhen, Guangdong Province	Residential	4,508	80%	Completed in 2001	N/A
3. Certain residential units at Sinolink Garden, Buxin Road, Luohu District, Shenzhen, Guangdong Province	Residential	49,989	80%	Completed in 2002	N/A
4. Sinolink Garden Dongxiao Road, Taian Road, Luohu District, Shenzhen, Guangdong Province	Residential	30,355	80%	Topping completed	Mid 2003
5. Sinolink Garden Phase IV Taining Road, Taibai Road, Buxin Road, Luohu District, Shenzhen, Guangdong Province	Residential and commercial	387,800 Site Area 94,176	80%	Construction work commence	In phase between 2004-2005
6. Land lot no. T207-0026 Bin Hai Dao North, Sha He Dong East, Nanshan, Shenzhen, Guangdong Province	Residential	255,300 Site Areas 75,101	87%	Construction work commence	2005
7. Land lot no. J402-0092 Huxin Island, Dameisha Shenzhen, Guangdong Province	Resort and commercial	22,000 Site Area 18,580	82%	Initial design stage	2005