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Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr. Ou Yaping
(Chairman)
Mr. Tang Yui Man, Francis
(Chief Executive Officer)
Mr. Chen Wei
Mr. Law Sze Lai

Independent non-executive directors

Mr. Cheung Wing Yui
Mr. Li Zhi Xiang
Mr. Tsang Yu Chor, Patrick
Mr. Xin Luo Lin

COMPANY SECRETARY

Mr. Yu Man To, Gerald

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>
<http://www.panva-gas.com>

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 Fund Services (Bermuda) 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)

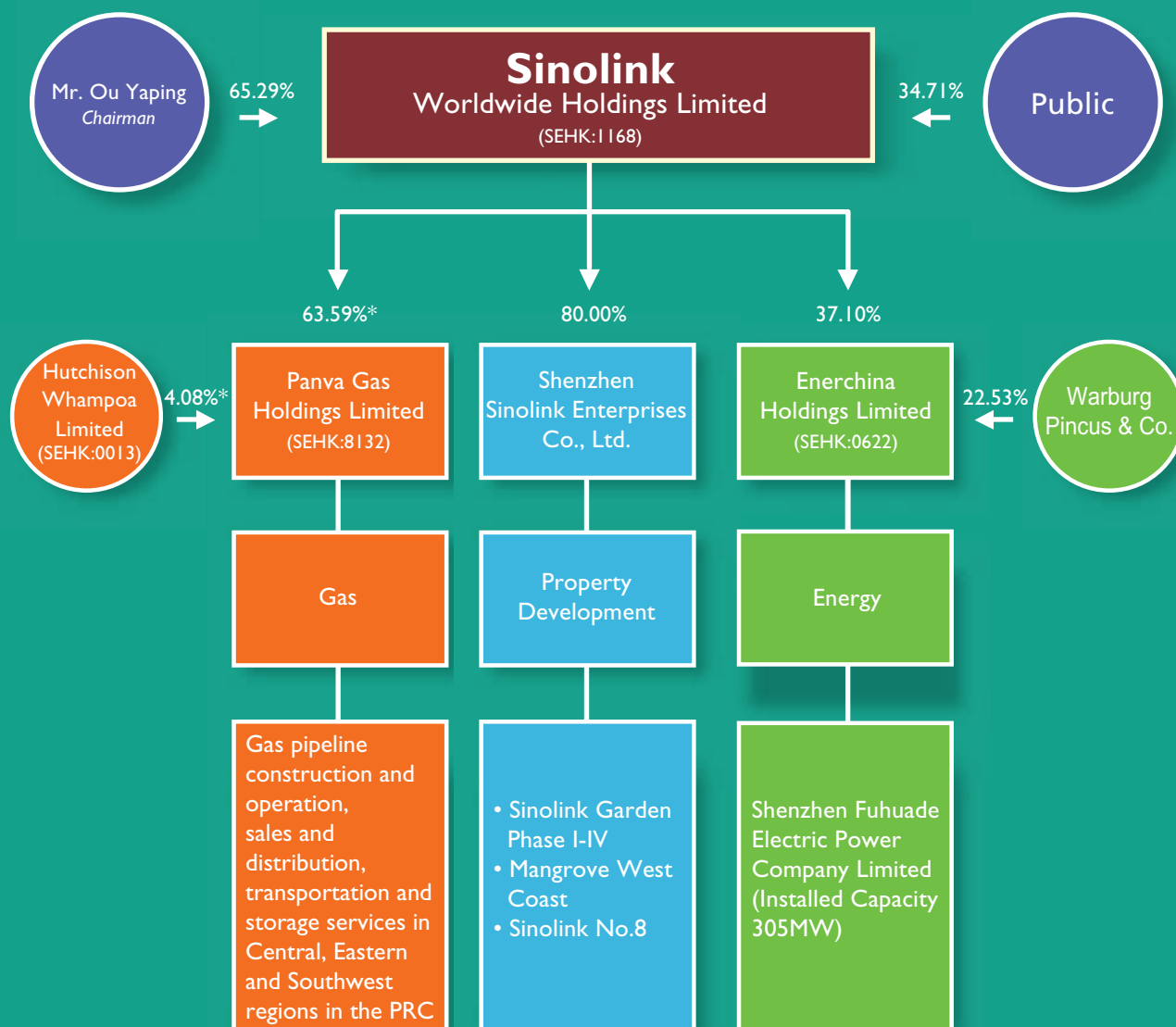
Haiwen & Partners

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

Group Structure

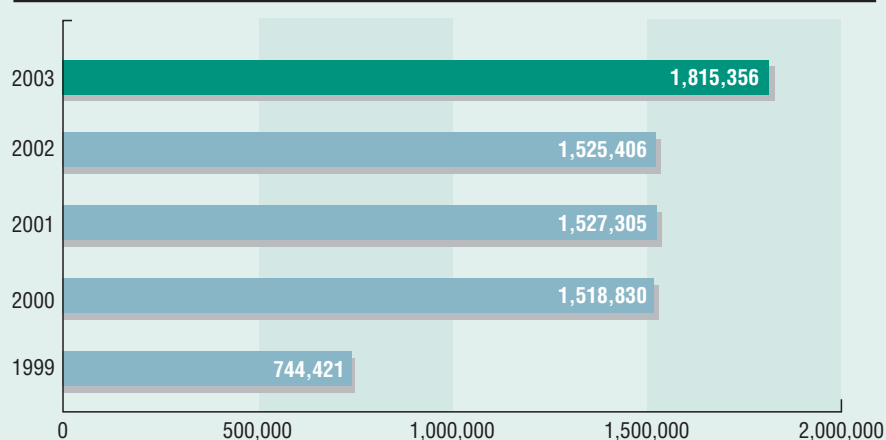
As at the date of this report



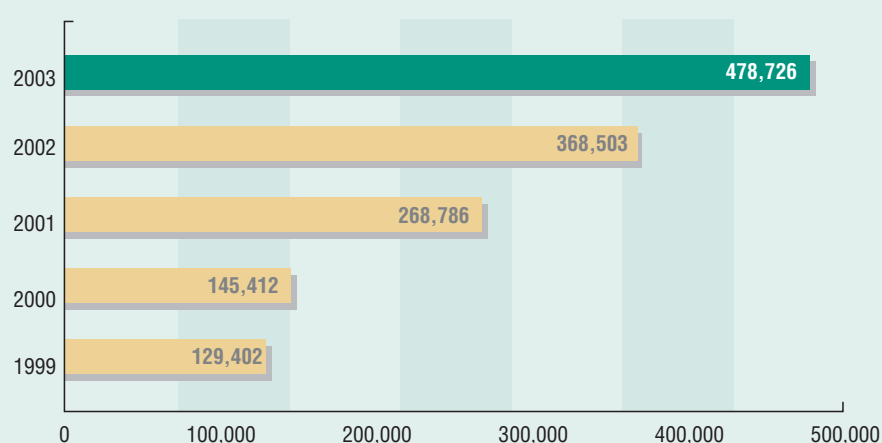
* Note: Upon full conversion of the exchangeable note, the respective holdings of Sinolink Worldwide Holdings Limited and Hutchison Whampoa Limited in Panva Gas Holdings Limited will be 59.51% and 8.16%

Financial Highlights

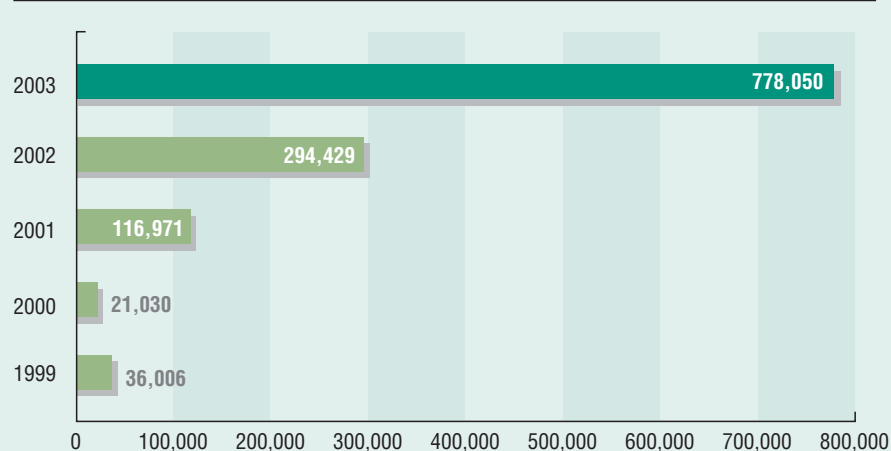
Turnover (HK\$'000)



Gross Profit (HK\$'000)

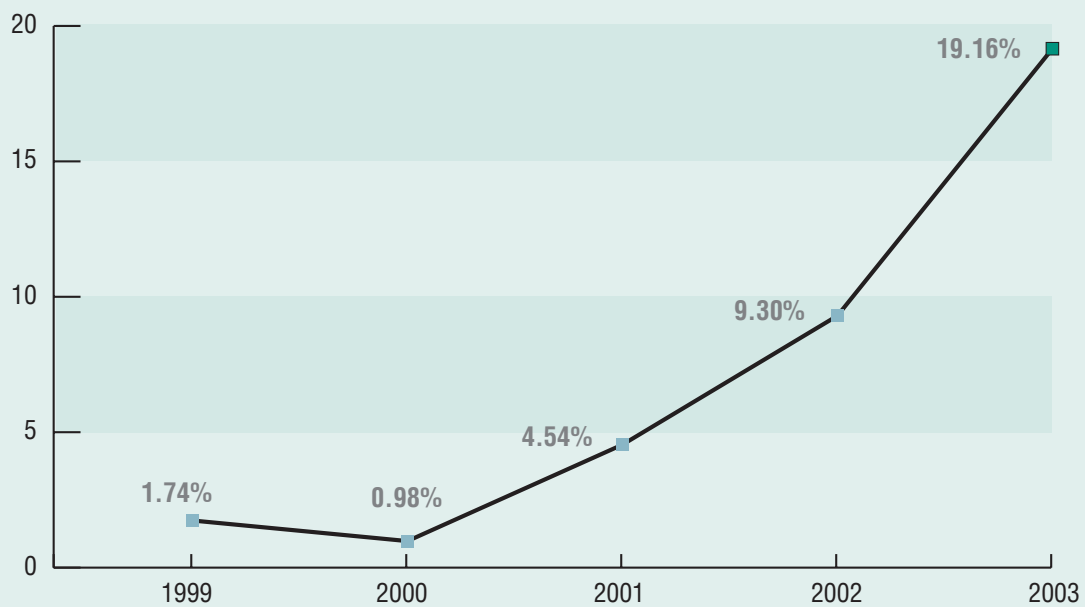


Net Profit (HK\$'000)

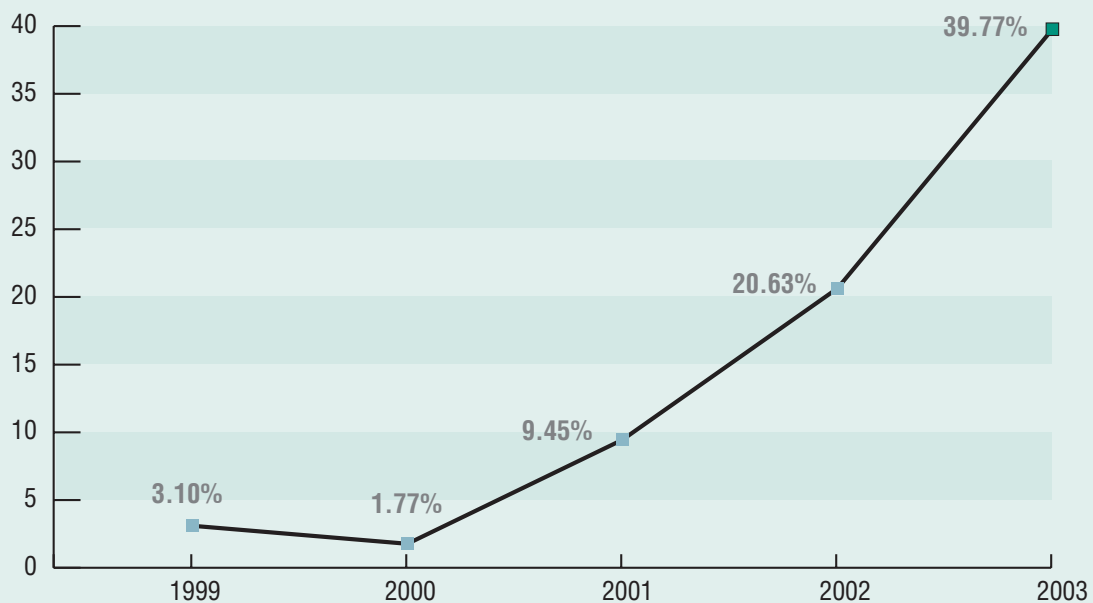


Financial Highlights

RETURN ON ASSETS



RETURN ON EQUITY



Financial Summary

	For the year ended 31 December				2003 HK\$'000
	1999	2000	2001	2002	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
RESULTS					
Turnover	744,421	1,518,830	1,527,305	1,525,406	1,815,356
Profit before taxation	47,722	34,464	183,672	389,245	1,030,664
Taxation	(5,736)	(7,049)	(10,499)	(16,068)	(48,654)
Profit before minority interests	41,986	27,415	173,173	373,177	982,010
Minority interests	(5,980)	(6,385)	(56,202)	(78,748)	(203,960)
Profit for the year	36,006	21,030	116,971	294,429	778,050
At 31 December					
	1999	2000	2001	2002	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS AND LIABILITIES					
Total assets	2,090,643	2,188,592	2,966,479	3,365,046	4,754,704
Total liabilities	(652,415)	(706,547)	(1,321,962)	(1,331,096)	(1,716,425)
Minority interests	(260,091)	(282,857)	(368,757)	(454,734)	(704,604)
Shareholders' funds	1,178,137	1,199,188	1,275,760	1,579,216	2,333,675

Note: The results for the two years ended 31 December 2003 have been extracted from the audited consolidated income statement as set out on page 37 of the financial statements.



Enhance Value Create value Identify value

Chairman's Statement

On behalf of the board of directors (the "Board" or "Directors") of Sinolink Worldwide Holdings Limited ("Sinolink" or the "Company"), I am pleased to announce that the Company and its subsidiaries (collectively the "Group") continued to deliver strong results for the year ended 31 December 2003.

MACROECONOMIC ENVIRONMENT

Property Market: The Group's real estate developments are located in the city of Shenzhen of the People's Republic of China (the "PRC" or "China"), and its operating results in the property development business is directly influenced by the recent favourable market conditions. 2003 was an eventful year for China and for Shenzhen. Through joint efforts of the Chinese government and its citizens, the severe acute respiratory syndrome (SARS) epidemic was curbed successfully. Business cooperation between Hong Kong and Shenzhen continued to form stronger bonds, and a border exchange operating 24 hours a day became effective. In the middle of the year, Hong Kong gained further economic advantage through the favourable Closer Economic Partnership Agreement ("CEPA") initiated by the Chinese government, and such advantage is expected to benefit Shenzhen in the foreseeable future. Through 2003, Shenzhen's economy achieved substantial growth. The total annual gross domestic product was RMB286 billion, a 17.3% increase from 2002 while per capita consumption reached RMB19,960, a 5.5% increase from 2002.



Under the favourable economic environment and better structured real-estate policies, Shenzhen's property development sector experienced a healthy growth. In 2003, impacted by the government's enhanced control and further transparency on land sales and tightened lending policy, the sector consolidated with investments in the sector increased at a reduced speed; the total investment in Shenzhen property development sector was RMB45 billion, representing an increase of only 9.4% over the previous year, far below an increase of 27.3% in 2002 over 2001. This adjustment reflected the reduced supply and set the

Chairman's Statement

pace of property developments to a reasonable level. Total area of new residential property developments in 2003 was 9.58 million square metres, representing an increase of 1.38% (against a 6.74% increase in 2002). The Shenzhen government also stabilised the property market through a systematic land auction scheme. Total area of land sold in 2003 was 11.7 square kilometres, among which only 1.1 square kilometres were for residential developments. Meanwhile, the Shenzhen property demand has been healthy and total area of residential property sold was 8.12 million square metres, representing a 12.08% increase over 2002. The vacancy area of residential property was 1.61 million square metres, representing a decrease of 4.82% over 2002.

The vacancy rate of Shenzhen commercial property also decreased. Total 2003 vacancy area of commercial property was 2.41 million square metres, representing a decrease of 2.34% over 2002.



Gas Fuel Market: Driven by the strong economic growth, the PRC's energy sector marched into a new age of development. Aware of the problem of low proportion of clean energy consumption, the PRC government has included the structural reform of its energy strata and environmental and the ecological protection in its national development plan. The introduction of a series of related policies and measures created a favourable policy environment for the Company's business development in the PRC's gas fuel sector.

In 2003, a nationwide piped natural gas development framework took shape, comprising the "five major pipelines" that connect various geographic areas of major demand and supply in the PRC. The "eastern pipeline", to be completed in 2004, will supply natural gas mainly to the southern Zhejiang Province and Shanghai. The "western pipeline" will transmit natural gas from Talimu and Sebei to Henan, Anhui, Jiangsu, Zhejiang and Shanghai, boasting an annual supply capacity of 12 billion cubic metres. The Kuche-Tabei



region will be the major supplier for the western pipeline under the "West to East Natural Gas Pipelines Project" which is expected to be completed on schedule. The "southern pipeline" includes liquefied natural gas ("LNG") projects in Guangdong and Fujian and is making solid progress. The "northern pipeline" is intended for bringing natural gas from Russia, with its main pipeline connecting Siberia and Tongzhou in the eastern suburb of Beijing, and an ancillary pipeline extending to Shandong. The "central pipeline" will tap the natural gas in the Sichuan Basin and Shannxi-

Chairman's Statement

Gansu-Ningxia Provinces and delivers natural gas to the Sichuan-Chongqing regions and the Yunnan-Guizhou areas in the southwest. With an annual production of close to 10 billion cubic metres of natural gas, the Sichuan Basin has become a major supplier for the regions, and is joining hands with the Shannxi-Gansu-Ningxia Provinces to aggressively expand the coverage.

The consumption and production of liquefied petroleum gas ("LP Gas") in the PRC continued to grow annually in double digits. Demand for LP Gas increased to more than 18 million tonnes from 2002's 16 million tonnes, and is expected to reach 20 million tonnes by 2005. LP Gas production grew by nearly 37% between 2000 and 2003. With the commencement of gas transmission from the "West to East Natural Gas Pipelines Project", competition has gradually intensified in the PRC's natural gas market. Given the special characteristics of natural gas supply in the PRC, major competition is expected to be strongest in cities along the major gas pipelines and in major cities with expected strong growth potential in fuel consumption. Moreover, taking the overall energy structure of the PRC into account, the Company believes that LP Gas – with its clean and environmentally friendly nature, high burning power and cost efficient value – will continue to play a major role in the PRC's energy strata. The fact that LP Gas operation is more flexible and complimentary to the development of clean fuel consumption in China along with the development of natural gas pipeline penetration, the Company has established an extensive coverage and strong customer base to enjoy the full synergy effect. In light of the above factors, LP Gas still has large room for profit and market growth.

Power Market: Driven by the strong China economic growth, the national demand for electricity increased substantially. During 2003, the national power generation reached a total of 1,846.2 billion kilowatt hour ("kWh"), representing an increase of 15.4% over the previous year. The increase was especially noticeable in the leading developing provinces such as the Guangdong Province. Based on the statistics published by the State Power Information Network, the total power generation in the Guangdong Province grew by more than 18% in 2003 to approximately 178.3 billion kWh. The power imported from its neighbouring provinces also grew by more than 31% to approximately 26.6 billion kWh. The shortage of power supply remains a serious issue in the Guangdong Province.



SUMMARY OF THE COMPANY'S RESULTS

The Company has successfully transformed from a sole property developer into an investment holding company with property development being one of its businesses. Strong results achieved by the investments across the board provide ample evidence that the Company is not relying on one particular investment.

Chairman's Statement

PROSPECTS

The Company will continue its effort in business development following the current strategy of active financial management, while explore additional high growth opportunities.

Property Market: According to market forecasts, the annual demand in Shenzhen property market will maintain at a level of approximately 11-13 million square metres during the next 5 years, which is corroborated with the annual sales record of 12 million square metres in 2002 and 2003. The land within the Shenzhen special economic zone has mostly been utilised and future developments will be focused on the Shenzhen suburb areas. The RMB6 billion Shenzhen subway project will greatly enhance local transportation efficiency and relieve traffic congestions. In general, the Company believes that the Shenzhen property market will maintain a healthy trend of rising demand and price, but the magnitude of increase will maintain at a rational level. On 16 April 2004, a land lot at Xiangmihu, Shenzhen, was sold at a public auction at an average of RMB7,500 per square metre. Personally, I believe that the Company has a strong land bank in the Shenzhen special economic zone, that will generate a healthy and satisfactory returns to our shareholders.



Gas Fuel Market: The Company's views in the next 10 to 20 years is that, the development and utilisation of natural gas in the PRC will move into a new era in which both demand and supply will grow substantially. The need to realign the energy structure and the fact that the market for natural gas is no longer confined to the vicinity of output locations, make the swift development of gas pipelines a practical necessity. Following the completion of its main pipeline, the "West to East Natural Gas Pipelines Project" will transmit natural gas in the second half of 2004. Along with the progress seen in other major gas projects, a giant gas-supply artery is taking shape.



Seizing the opportunities, Panva Gas Holdings Limited ("Panva Gas", stock code: 8132), a subsidiary of the Group carrying out the gas fuel business, has been focusing on the development of piped gas supply in the southwestern, eastern, southern and northeastern regions of the PRC. Going forward, Panva Gas will further strengthen its leadership position in LP Gas distribution, increase its penetration in the city piped natural gas market, and expedite growth through acquisitions and organic value enhancement from the existing customer base. Panva Gas will also strengthen the management of growth and post-merger integration through improving corporate governance, accumulating industrial resources and management know-how, and constantly improving its operational structure.

Chairman's Statement

Power Market: The Group's power generation business is conducted through its associated company, Enerchina Holdings Limited ("Enerchina", stock code: 622), which operates Shenzhen Fuhuade Electric Power Co., Ltd. ("Fuhuade Power Plant"). Fuhuade Power Plant received government approval to further expand its installed capacity by a total of 360,000 kilowatt. The installation of the first additional generating units with a capacity of 180,000 kilowatt will be completed by the third quarter of 2004. The installation of the second additional generating units with another 180,000 kilowatt capacity is expected to be completed and be in operation by the first quarter of 2005. Upon completion of these two expansions, the installed capacity of Fuhuade Power Plant will reach a total of 665,000 kilowatt.



Moving forward, the increasing demand in the PRC power market provides a favourable market environment for Enerchina to further expand its power generation capacity. Enerchina is currently conducting a feasibility study to further increase capacity to 1,000,000 kilowatt. Enerchina is also analyzing the possibility of switching to use natural gas when the Guangdong LNG terminal is completed, which will lower operating cost as well as annual maintenance expenses, thus improving profitability as well as operational efficiency. Even though the overall power consumption is at a low level in spring, Guangdong still imported over 600 million kWh from its neighborhood provinces during the first two months in 2004 due stronger power demand. The imported volume is over 80% higher than that of the first two months in 2003.

Given that energy shortage is imposing a constraint on the PRC's economic development, it is inevitable that more new sources of energy have to be developed. The management of Enerchina will continue to pursue new investment opportunities, in particular in the areas of electricity, coal and coal related petrochemical products. Enerchina will play an active role in the power sector as well as the public utility sector.

APPRECIATION

I would like to take this opportunity to thank our board members, customers and business associates for their continual support, and to extend my gratitude to the Company staff for their hard work and contribution during the past year.

Ou Yaping

Chairman

Hong Kong, 21 April 2004

Chief Executive Officer's Report

BUSINESS REVIEW AND PROSPECTS

For the year ended 31 December 2003, the Group recorded a turnover of approximately HK\$1,815,356,000, representing an increase of approximately 19% when compared to the previous year. Gross profit increased to approximately HK\$478,726,000 for the year ended 31 December 2003, a substantial increase of approximately 30% 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\$778,050,000 representing an increase of approximately 1.6 times from last year. The 2003 results demonstrated the Group's success in achieving satisfactory returns for its businesses by adopting active financial management, investment and operating strategies.



Property Development

The Group recorded a turnover of approximately HK\$330,979,000 for the property development business during the year ended 31 December 2003, which is approximately the same as last year. The Group sold a total floor area of approximately 50,034 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 79.7% of total property sales for the year representing 520 units (39,862 square metres) at an average price of

RMB6,874 per square metre, with only 125 units left to be sold in 2004. The remaining turnover came from the sale of Sinolink No.8, representing 40 units (10,172 square metres) at an average price of RMB8,892 per square metre.

In the property development sector, the Company made encouraging progress in all projects. As of 31 December 2003, approximately 25.86% of the construction works of *Mangrove West Coast* has been completed and presale is expected to start in August 2004; more than 50% of the construction works of Sinolink Garden Phase Four western district, *The Oasis* has been completed and presale is expected to start in June 2004.



In 2004, the Company plans to achieve 15% of total sales of the *Mangrove West Coast* and 31% of total sales of the Sinolink Garden Phase Four western district, *The Oasis*. The design of Sinolink Garden Phase Four eastern district, a development with a total site area of 40,786 square metres and total gross floor area of 228,574 square metres, is scheduled to be completed by

Chief Executive Officer's Report

October 2004 and construction is expected to commence in December 2004. In addition, the Company is also actively exploring other high growth opportunities that could leverage its operation know-how and property management expertise to further create shareholder value.

Gas Fuel Business

For the year ended 31 December 2003, the Group's gas fuel business, operated by Panva Gas, recorded a turnover of approximately HK\$1,457,632,000 representing an increase of approximately 27% compared to last year. The gross profit margin increased substantially from 23% for the year ended 31 December 2002 to 26% for the year ended 31 December 2003. The increase in net profit margin was mainly attributable to the continued strengthening in management and operation, the further unleashing of internal potentiality, and the active market development strategies. By enhancing services and management, Panva Gas was able to gain a solid increase in market share, which contributed favourably to the Group's profit growth.



During the year under review, Panva Gas completed its project development plans laid down in 2002. In the first half of 2003, Panva Gas acquired majority interests in two gas companies located in Chizhou of the Anhui Province and Lezhi of the Sichuan Province. In the second half, Panva Gas completed five more acquisitions in Pingchang and Dayi of the Sichuan Province, Jinan of the Shandong Province (two acquisitions), and Foshan of the Guangdong Province, providing valuable additions to Panva Gas project portfolio. Development in the piped gas market has been Panva Gas strategic focus since 2001. As a result, six of the seven 2003 acquisitions are in the piped gas segment.

Being a major LP Gas distributor in the PRC, Panva Gas has been capitalising on its quality services, strong logistics and professional management to quickly expand in the LP Gas market. Such efforts yielded encouraging results in 2003, as reflected by Panva Gas further forays into the retail and wholesale sectors increasing domestic, industrial and commercial LP Gas consumption, and the success in securing a reliable supply for cylinder and piped gas. As a result, Panva Gas was able to reduce operating costs thus improving operation margin for its LP Gas business.

Electricity Generation

The electricity generation business of the Company is currently conducted through an associated company, Enerchina. Enerchina has a 70% equity interest in Fuhuade Power Plant located in Dapeng town, Shenzhen. The operating results of Fuhuade Power Plant were noteworthy in 2003. With the commencement of commercial operation of the second combined cycle generation unit in May 2003, the installed capacity of

Chief Executive Officer's Report

Fuhuade Power Plant increased from 70,800 kilowatt to 305,000 kilowatt. During 2003, Fuhuade Power Plant achieved a total power output of 994.4 million kWh, of which 952.1 million kWh were sold to the Guangdong power grid, representing an increase of approximately 2.7 times compared to the previous year. Enerchina recorded a net profit of approximately HK\$57.5 million during 2003.



During the year, the Group disposed its 30% equity interests in Fuhuade Power Plant held by an indirect subsidiary of the Company, Shenzhen Sinolink Enterprises Company Limited ("Shenzhen Sinolink") for a total consideration of approximately HK\$159,027,128 to an independent third party. The disposal enables the Group to strategically bring in an investor that has the expertise in running large scale power plants, helping the Group to continue to expand the power plant as well as providing advice on the day to day management, increasing efficiency therefore profitability.

Capital Market Transactions



In 2003, the Group successfully completed several fund raising exercises on the capital market to finance its fast growing businesses. In April 2003, Panva Gas issued convertible bonds (the "CB") with total principal amount of US\$50 million, and Panva Gas was assigned a "BB+" foreign currency corporate credit rating and a stable outlook by international credit agency *Standard & Poor's*. In December 2003, the Company and Panva Gas commenced a top-up placing which was completed in January 2004 raising approximately HK\$620 million. During 2003, Enerchina completed two rights issues and a share placing exercise raising an aggregate amount of approximately HK\$322.4 million. Enerchina has also finalised an open offer in April 2004 whereby approximately HK\$600 million was raised for the purchasing of additional power generation units to increase its power generation capacity to 665,000 kilowatt. These financing activities effectively strengthened the Company's capital structure, enlarged the shareholder base, and increased public float and liquidity.

FINANCIAL POSITION

The Group's total borrowings increased from approximately HK\$919,079,000 as at 31 December 2002 to approximately HK\$1,234,711,000 as at 31 December 2003. The increase is mainly due to the issue of the CB by Panva Gas. The proportion of borrowings due within one year to total borrowings also increased from approximately 2% to approximately 54% and a long term bank borrowings to equity ratio of 8%. Bank borrowings are mainly used to finance the property development projects of the Group and with the

Chief Executive Officer's Report

exception of a Hong Kong Dollar denominated bank loan which is tied to Hong Kong Interbank Offered Rate, all other borrowings are at fixed interest rates. The CB is used by Panva Gas for the expansion of the piped gas business, the LP Gas business and as working capital.

Total assets pledged in securing these loans have a net book value of approximately HK\$43,963,000 as at 31 December 2003. With the exception of the CB which is denominated in United States Dollars and a Hong Kong Dollar denominated bank loan mentioned above, all other bank borrowings of the Group are denominated in Renminbi ("RMB"). 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. No financial instruments were used for hedging purpose; however, the Board is evaluating and closely monitoring the potential impact of RMB appreciation and interest rate movement. The Board is also reviewing instruments that could minimise such potential impact on the Group.

The Group's cash and cash equivalents amounted to approximately HK\$1,309,473,000 as at 31 December 2003 are mostly denominated in RMB, Hong Kong dollars and US dollars.

CONTINGENT LIABILITIES

Guarantees given to banks as security for the mortgage loans arranged for the purchases of the Group's properties amounted to approximately HK\$17,256,000.

EMPLOYEES REMUNERATION POLICIES

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.

As at 31 December 2003, the Group had 3,631 full time employees, of which approximately 99% are located in the PRC.



Chief Executive Officer's Report

APPRECIATION

I would like to take this opportunity to thank members of the Board for their trust and support and continuous efforts of our business associates for seamless cooperation. Furthermore, I would like to extend my gratitude to our diligent staff for your contributions during the past year.

By Order of the Board

Tang Yui Man, Francis

Chief Executive Officer

Hong Kong, 21 April 2004

Directors' Profile

EXECUTIVE DIRECTORS



Mr. Ou Yaping, aged 42, was appointed as the chairman and an executive director of the Company in December 1997. Mr. Ou is the founder and the controlling shareholder of the Group. He is also the chairman and an executive director of the Group's subsidiary, Panva Gas and the vice chairman and an executive director of Enerchina. He holds a Bachelor of Engineering Management degree from the Beijing Institute of Technology in 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. Mr. Ou has over 18 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 41, was appointed as the chief executive officer in 2002 and an executive director of the Company in September 2001. Mr. Tang is also an executive director of Panva Gas and Enerchina. 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.



Mr. Chen Wei, aged 42, was appointed as an executive 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 in the PRC. He was previously employed by a number of large organisations and has over 18 years of experience in engineering, business administration, market development and management. Mr. Chen joined the Group in February 1992 and is responsible for the overall business development, management and strategic planning of the gas fuel business.



Mr. Law Sze Lai, aged 61, was appointed as an executive 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 16 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.

Directors' Profile

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Wing Yui, aged 54, 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 Special Administrative Region 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 non-executive director of a number of other publicly listed companies in Hong Kong.

Mr. Li Zhi Xiang, aged 58, was appointed as an independent non-executive director of the Company in November 2003. Mr. Li Holds a Dynamics and Mechanics degree from the Beijing Institute of Technology. He is the Executive Vice President of the Beijing Institute of Technology and a professor of its Doctor degree courses.

Mr. Tsang Yu Chor, Patrick, aged 52, was appointed as an independent non-executive director of the Company in April 1998. He is a senior partner of Tsang, Chan & Wong, Solicitors & Notaries. He is a practising solicitor in Hong Kong Special Administrative Region and is admitted as a solicitor in England, a solicitor and barrister in Victoria, Australia, a Notary Public in Hong Kong Special Administrative Region and a China-Appointed Attesting Officer.

Mr. Xin Luo Lin, aged 55, was appointed as an independent non-executive director of the Company in June 2002. He postgraduated from the Peking University in the PRC and is the Justice of Peace in New South Wales of Australia.

Directors' Report

The Board presents the annual report and the audited financial statements of the Group and the Company for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 18 and 19 respectively to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2003 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\$57,275,823 was paid to the shareholders during the year. The Board has recommended the payment of a final dividend of HK\$0.03 per share amounting to HK\$57,460,056. Upon approval by the shareholders of the Company on the forthcoming annual general meeting of the Company ("AGM") to be held on Tuesday, 25 May 2004, the final dividend will be paid on or before Thursday, 3 June 2004 to shareholders whose names appear on the register of members of the Company on Tuesday, 25 May 2004.

Pursuant to a resolution passed at a meeting of Board held on 21 April 2004, the Board of the Company recommended a bonus issue of new shares of HK\$0.10 each to shareholders of the Company on the basis of two new shares (the "Bonus Shares") for every ten existing shares of the Company (the "Shares") held by the shareholders whose names appear on the register of members of the Company on Tuesday, 25 May 2004 (the "Proposed Bonus Issue"). The Bonus Shares will be credited as fully paid at par and will rank pari passu with the then issued shares in all respects with effect from the date of issue, except that they are not entitled to the final dividend proposed to be declared as mentioned in the above paragraph and will not rank for the Proposed Bonus Issue.

The Proposed Bonus Issue is conditional upon: (i) the passing of the relevant ordinary resolution to approve the Proposed Bonus Issue at the AGM; and (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting or agreeing to grant the listing of and permission to deal in the Bonus Shares to be issued pursuant to the Proposed Bonus Issue.

Directors' Report

Subject to fulfillment of the above conditions, certificates for the Bonus Shares are expected to be despatched to shareholders on or about Thursday, 3 June 2004. A notice of AGM enclosed in the annual report of the Company containing, among other things, ordinary resolution in relation to the Proposed Bonus Issue will be despatched to shareholders of the Company on or about Friday, 30 April 2004.

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 2003 as, in the opinion of Board, 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 29 to the financial statements.

During the year, 27,200 Shares issued on the exercise of the subscription rights attaching to the warrants. The subscription rights attaching to the warrants expired on 29 November 2003.

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' Report

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. Chen Wei

Mr. Law Sze Lai

Independent non-executive directors:

Mr. Cheung Wing Yui

Mr. Li Zhi Xiang (appointed on 3 November 2003)

Mr. Tsang Yu Chor, Patrick

Mr. Xin Luo Lin

In accordance with the Company's Bye-laws, Messrs. Cheung Wing Yui, Li Zhi Xiang and Tsang Yu Chor, Patrick will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election, except for Messrs. Cheung Wing Yui and Tsang Yu Chor, Patrick, who do not offer 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.

Directors' Report

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SHARES AND IN SHARE OPTIONS

At 31 December 2003, the interests and short positions of the Directors and chief executive of the Company in the Shares and debentures of the Company and the shares and debentures of any associated corporation of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required pursuant to: (a) divisions 7, 8, and 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) Section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Company, to be notified to the Company and the Stock Exchange were as follows:

(a) Long Positions in Shares of the Company

Name of Directors	Capacity	Interest in Shares			Total interest in Shares	Interest in underlying Shares pursuant to share options	Aggregate interest	Approximate percentage of the Company's issued share capital
		Personal interest	Family interest	Corporate interest				
Chen Wei	Beneficial owner	–	–	–	–	12,000,000	12,000,000	0.63%
Law Sze Lai	Beneficial owner	–	–	–	–	12,000,000	12,000,000	0.63%
Ou Yaping	Beneficial owner and interest of controlled corporation	–	5,396,600	1,245,185,000 (Note 1)	1,250,581,600	–	1,250,581,600	65.44%
Tang Yui Man, Francis	Beneficial owner	–	–	–	–	3,800,000	3,800,000	0.20%

Note 1: These Shares are held by Asia Pacific Promotion Limited ("Asia Pacific"), a company incorporated in the British Virgin Islands, which is legally and beneficially owned by Mr. Ou Yaping, chairman of the Company.

Details of the Directors' interests in share options granted by the Company are set out under the heading "Directors' rights to acquire Shares".

Directors' Report

(b) Directors' Interests or Short Positions in Shares in Associated Corporations

Name of Directors	Name of associated corporation	Capacity	Nature of interest	Total interest in shares long position/ (short position)	Interest in underlying shares pursuant to share options	Aggregate interest/ (short position)	Approximate percentage of the issued share capital of the associated corporation
Chen Wei	Panva Gas	Beneficial owner	Personal	4,160,000	5,040,000	9,200,000	1.18%
Ou Yaping	Panva Gas	Interest of controlled corporation	Corporate	604,871,587 (Note 1) (38,461,538) (Note 2)	3,600,000 –	608,471,587 (38,461,538)	78.10% (4.94%)
	Enerchina	Interest of controlled corporation	Corporate	257,039,515	–	257,039,515 (Note 3)	33.70%
Tang Yui Man, Francis	Panva Gas	Beneficial owner	Personal	5,440,000	960,000	6,400,000	0.82%

Notes:

- The 604,871,587 shares represent the aggregate of: (i) 429,298,462 shares held by Kenson Investment Limited ("Kenson"). 65.44% interests of the Company are held by Asia Pacific. Mr. Ou is the sole beneficial owner of Asia Pacific. Mr. Ou is deemed under the SFO to be interested in these shares; and (ii) 6,081,600 shares held by Asia Pacific directly. The entire issued share capital of Asia Pacific are legally and beneficially held by Mr. Ou; and 169,491,525 shares held by Supreme All Investments Limited ("Supreme All"). 100% interests of Supreme All are held by the Company, Mr. Ou is deemed under the SFO to be interested in these shares.
- Kenson is under an obligation to transfer 38,461,538 shares to Hutchison International Limited ("Hutchison International") upon full exchange of a HK\$125,000,000 redeemable note (the "Note") held by Hutchison International in accordance with the terms and conditions of the Note.
- The 257,039,515 shares represent the aggregate of: (i) 190,629,322 shares held by the Company; and (ii) 66,410,193 shares held by Smart Orient Investments Limited ("Smart Orient"), a wholly-owned subsidiary of the Company. Mr. Ou is deemed under the SFO to be interested in these shares.

Directors' Report

DIRECTORS' RIGHT TO ACQUIRE SHARES

(a) Interest in Options to Subscribe for Shares of the Company

Pursuant to the Company's share option scheme, the Company has granted options to subscribe for Company Shares in favour of certain Directors, the details of which are as follows:

Name of Directors	Date of grant	Exercise period	Exercise price <i>HK\$</i>	Number of Company Shares subject to outstanding options at 31.12.2003	Approximately percentage of the Company's issued share capital
Chen Wei	14.03.2002	01.09.2002 – 01.09.2004	0.67	6,000,000	0.31%
	14.03.2002	01.12.2002 – 01.12.2005	0.67	6,000,000	0.31%
Law Sze Lai	14.03.2002	01.09.2002 – 01.09.2004	0.67	6,000,000	0.31%
	14.03.2002	01.12.2002 – 01.12.2005	0.67	6,000,000	0.31%
Tang Yui Man, Francis	14.03.2002	01.09.2002 – 01.09.2004	0.67	1,900,000	0.10%
	14.03.2002	01.12.2002 – 01.12.2005	0.67	1,900,000	0.10%

Note: The vesting period of the share options is from the date of grant until the commencement of the exercise period.

Save as disclosed above, at no time during the year, the directors, chief executives (including their spouse and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for Shares (or warrants or debentures, if applicable) of the Company or any of its associated corporations required to be disclosed pursuant to the SFO.

Directors' Report

(b) Interest in Options to Subscribe for Shares of Associated Corporation

Name of Directors	Name of Associated Corporation	Date of grant	Exercisable period	Number of shares Exercise price HK\$	Options held
Chen Wei	Panva Gas	04.04.2001	01.01.2003 – 03.04.2011	0.475	1,800,000
		04.04.2001	01.01.2004 – 03.04.2011	0.475	1,800,000
		13.11.2001	13.11.2002 – 13.02.2007	0.940	1,440,000
Ou Yaping	Panva Gas	04.04.2001	01.01.2003 – 03.04.2011	0.475	1,800,000
		04.04.2001	01.01.2004 – 03.04.2011	0.475	1,800,000
Tang Yui Man, Francis	Panva Gas	13.11.2001	13.11.2002 – 13.02.2007	0.940	960,000

Note: The vesting period of the share options is from the date of grant until the commencement of the exercise period.

SHARE OPTION SCHEME

- (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 2003, 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.

At 31 December 2003, the outstanding number of shares in respect of which options had been granted under the Old Scheme was 35,150,000 (2002: 48,371,000), representing 1.84% (2002: 2.6%) of the shares of the Company in issue at that date.

Directors' Report

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 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 are set out in note 35 to the financial statements.

Directors' Report

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

Category 1: Directors

	Option type	Outstanding at 1.1.2003	Granted during year	Exercised during year	Lapsed during year	Outstanding at 31.12.2003
Chen Wei	2002A	12,000,000	–	–	–	12,000,000
Law Sze Lai	2002A	12,000,000	–	–	–	12,000,000
Tang Yui Man, Francis	2001A	3,300,000	–	3,300,000	–	–
	2001B	2,750,000	–	2,750,000	–	–
	2002A	3,800,000	–	–	–	3,800,000
Total Directors		<u>33,850,000</u>	<u>–</u>	<u>6,050,000</u>	<u>–</u>	<u>27,800,000</u>

Category 2: Employees

Option type	Outstanding at 1.1.2003	Granted during year	Exercised during year	Lapsed during year	Outstanding at 31.12.2003
2000	330,000	–	220,000	110,000	–
2001A	–	–	–	–	–
2001B	6,391,000	–	4,301,000	1,540,000	550,000
2002A	6,800,000	–	–	–	6,800,000
2002B	1,000,000	–	–	1,000,000	–
Total employees	<u>14,521,000</u>	<u>–</u>	<u>4,521,000</u>	<u>2,650,000</u>	<u>7,350,000</u>
Total all categories	<u>48,371,000</u>	<u>–</u>	<u>10,571,000</u>	<u>2,650,000</u>	<u>35,150,000</u>

The share prices on the dates of exercise of options on 18 June 2003, 29 July 2003, 3 October 2003, 29 October 2003 and 28 November 2003 were HK\$0.60, HK\$0.60, HK\$0.74, HK\$0.85 and HK\$0.92 respectively.

Directors' Report

Particulars of share option schemes of its subsidiary, Panva Gas are as follows:

(a) Panva Pre-Listing Share Option Scheme

Pursuant to the 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 in last year at an exercise price of HK\$0.57, the issue price of Panva Gas shares on listing on Growth Enterprise Market. The exercise price was subsequently adjusted to HK\$0.475 upon capitalisation of shares in last year. 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 an 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 2003, the outstanding number of shares in respect of which options had been granted under the Panva Pre-Listing Share Option Scheme was 20,640,000 (2002: 23,440,000), representing 2.65% (2002: 3.87%) of the shares of Panva Gas in issue on that date.

(b) Panva Share Option Scheme

Pursuant to a share option scheme of Panva Gas 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 2003, the outstanding number of shares in respect of which options had been granted under the Panva Scheme was 10,824,000 (2002: 13,704,000), representing 1.39% (2002: 2.26%) of the shares of Panva Gas in issue on that date.

Directors' Report

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 Panva Gas 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 Panva Gas shareholders.

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

Option type		Outstanding at 1.1.2003	Exercised during year	Lapsed during year	Outstanding at 31.12.2003
Category 1: Directors					
Chen Wei	Pre-Listing Options	3,600,000	–	–	3,600,000
	2001	1,440,000	–	–	1,440,000
Ou Yaping	Pre-Listing Options	3,600,000	–	–	3,600,000
Tang Yui Man, Francis	2001	960,000	–	–	960,000
Total Directors		<u>9,600,000</u>	<u>–</u>	<u>–</u>	<u>9,600,000</u>
Category 2: Employees					
	Pre-Listing Options	16,240,000	–	2,800,000	13,440,000
	2001	11,304,000	–	2,880,000	8,424,000
Total Employees		<u>27,544,000</u>	<u>–</u>	<u>5,680,000</u>	<u>21,864,000</u>

Directors' Report

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK\$
Pre-Listing Options	04.04.2001	01.01.2003 – 03.04.2011	0.475
	04.04.2001	01.01.2004 – 03.04.2011	0.475
2001	13.11.2001	13.02.2002 – 13.02.2007	0.94
	13.11.2001	13.05.2002 – 13.02.2007	0.94
	13.11.2001	13.11.2002 – 13.02.2007	0.94

Note: The vesting period of the share options is from the date of grant until the commencement of the exercise period.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the period was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or the chief executive, or 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.

Save as disclosed above, none of the directors, chief executives nor their respective associates, as defined in the Rules Governing the Listing of Securities of The Stock Exchange ("Listing Rules"), had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations.

DIRECTORS' SERVICE CONTRACT

No Director has any existing or proposed service 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).

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.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14 of 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 21 January 2002, pursuant to the RMB550,000,000 loan agreement ("Loan") dated 10 December 2001 between Shenzhen Sinolink and Bank of China, Shenzhen Branch in which the Company has provided guarantee on the loan respectively. Shenzhen Sinolink is an indirect non-wholly owned subsidiary of the Company in which the Company has an 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 Loan. 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 Loan by the Company constitute connected transactions for the Company under Rule 14.26(6)(a) of the Listing Rules which was approved by the shareholders of the Company.
- (ii) Pursuant to the tenancy agreements 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 2002 at a rent of HK\$83,000 per month respectively exclusive of rates and management fees. Total rental expenses of HK\$996,000 were paid or payable to Skillful for the year ended 31 December 2003.

Directors' Report

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 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 2003.
- (ii) 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 2003.

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.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

At 31 December 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of directors, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Long positions and short positions in Shares and underlying Shares in the Company

Name of shareholders	Capacity	Interest of Shares			Total interest in Shares	Approximate percentage of the Company's issued share capital
		Personal interest	Family interest	Corporate interest		
Asia Pacific	Beneficial owner	–	–	1,245,185,000 (Note 1)	1,245,185,000	65.16%
Ou Yaping	Beneficial owner and interest of controlled corporation	–	5,396,600	1,245,185,000	1,250,581,600	65.44%

Note 1: These Shares are held by Asia Pacific, a company incorporated in the British Virgin Islands, which is legally and beneficially owned by Mr. Ou Yaping, chairman of the Company.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be disclosed under Divisions 2 and 3 of Part XV of the SFO and the Listing Rules.

Save for the shareholders as disclosed herein, the directors are not aware of any persons who, as at 31 December 2003, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest supplier accounted for approximately 47.48% of the Group's total purchases and the Group's largest five suppliers accounted for approximately 63.73% 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 2003 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 Luo 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.

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.

Directors' Report

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, 21 April 2004

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 93 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, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 2003 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, 21 April 2004

Consolidated Income Statement

For the year ended 31 December 2003

	NOTES	2003 HK\$'000	2002 HK\$'000
Turnover	4	1,815,356	1,525,406
Cost of sales		(1,336,630)	(1,156,903)
Gross profit		478,726	368,503
Other operating income	5	25,511	20,953
Distribution costs		(52,512)	(46,380)
Administrative expenses		(130,649)	(117,081)
Other operating expenses		(15,159)	(3,509)
Profit from operations	6	305,917	222,486
Finance costs	8	(10,630)	(4,350)
Gain on disposal of subsidiaries	9	519,234	195,908
Release of deferred gain on disposal of a subsidiary	10	77,000	—
Gain (loss) on disposal of associates		133,209	(234)
Gain on partial disposal of an associate		2,677	—
Amortisation of goodwill of an associate		(2,724)	(1,816)
Share of results of associates		5,981	(22,749)
Profit before taxation		1,030,664	389,245
Taxation	11	(48,654)	(16,068)
Profit before minority interests		982,010	373,177
Minority interests		(203,960)	(78,748)
Net profit for the year		778,050	294,429
Dividends	12	114,736	55,483
		HK cents	HK cents
Earnings per share	13		
Basic		41.72	16.17
Diluted		40.81	15.40

Consolidated Balance Sheet

At 31 December 2003

	NOTES	2003 HK\$'000	2002 HK\$'000
Non-current assets			
Property, plant and equipment	14	668,403	432,675
Intangible asset	15	9,662	–
Goodwill	16	84,551	22,659
Negative goodwill	17	(18,022)	(26,585)
Interests in associates	19	184,552	129,882
Investment in securities	20	83,917	117,949
Trade receivable	23	–	1,269
		1,013,063	677,849
Current assets			
Stock of properties	21	1,639,994	1,644,354
Inventories	22	36,417	23,751
Trade and other receivables	23	619,385	278,720
Amount due from an associate	24	75,000	197,000
Amounts due from minority shareholders	27	11,246	41,276
Investments in securities	20	50,126	31,455
Bank balances and cash		1,309,473	470,641
		3,741,641	2,687,197
Current liabilities			
Trade and other payables	25	414,035	280,658
Tax liabilities		61,156	30,822
Amounts due to minority shareholders	27	6,523	23,537
Borrowings – due within one year	28	669,056	14,599
		1,150,770	349,616
Net current assets		2,590,871	2,337,581
Total assets less current liabilities		3,603,934	3,015,430
Non-current liabilities			
Borrowings – due after one year	28	(565,655)	(904,480)
Deferred gain on disposal of a subsidiary	31	–	(77,000)
		(565,655)	(981,480)
		3,038,279	2,033,950
Minority interests		(704,604)	(454,734)
		2,333,675	1,579,216
Capital and reserves			
Share capital	29	191,104	184,944
Reserves	30	2,142,571	1,394,272
		2,333,675	1,579,216

The financial statements on pages 37 to 93 were approved and authorised for issue by the Board of Directors on 21 April 2004 and are signed on its behalf by:

Ou Yaping
Chairman

Tang Yui Man, Francis
Chief Executive Officer

Balance Sheet

At 31 December 2003

	NOTES	2003 HK\$'000	2002 HK\$'000
Non-current assets			
Property, plant and equipment	14	234	1,359
Investments in subsidiaries	18	905,497	878,333
Interest in an associate	19	246,591	163,563
Investments in securities	20	–	116,000
		1,152,322	1,159,255
Current assets			
Trade and other receivables		11,472	14,506
Investment in securities	20	50,000	5,512
Amount due from an associate	24	75,000	197,000
Bank balances and cash		754,533	181,202
		891,005	398,220
Current liabilities			
Trade and other payables		598,150	1,267
Amounts due to subsidiaries	26	263,059	325,855
		861,209	327,122
Net current assets		29,796	71,098
Total assets less current liabilities		1,182,118	1,230,353
Non-current liabilities			
Borrowings	28	–	(81,600)
		1,182,118	1,148,753
Capital and reserves			
Share capital	29	191,104	184,944
Reserves	30	991,014	963,809
		1,182,118	1,148,753

Ou Yaping
Chairman

Tang Yui Man, Francis
Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2003

	Share capital	Share premium account	Properties revaluation account	Translation reserve	Goodwill reserve	General reserve	Capital reserve	Contributed surplus	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
								(Note 30)		
At 1 January 2002	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
Exchange rate adjustment not recognised in the income statement	-	-	-	(724)	-	-	-	-	-	(724)
Shares issued at premium	6,160	38,457	-	-	-	-	-	-	-	44,617
Addition during the year	-	-	-	122	-	483	-	-	-	605
Realised on disposal of subsidiaries	-	-	(64)	(19)	-	(75)	32	-	-	(126)
Realised on partial disposal of a subsidiary	-	-	(994)	260	81	(878)	(301)	-	-	(1,832)
Realised on disposal of associates	-	-	(5,323)	(309)	-	(3,165)	(58)	-	-	(8,855)
Transfer from profit and loss account	-	-	-	-	-	958	-	-	(958)	-
Profit for the year	-	-	-	-	-	-	-	-	778,050	778,050
Dividend	-	-	-	-	-	-	-	-	(57,276)	(57,276)
At 31 December 2003	191,104	370,859	2,470	(6,885)	2,672	57,354	454	367,782	1,347,865	2,333,675

Consolidated Cash Flow Statement

For the year ended 31 December 2003

	2003 HK\$'000	2002 HK\$'000
OPERATING ACTIVITIES		
Profit before taxation	1,030,664	389,245
Adjustment for:		
Share of results of associates	(5,981)	22,749
Interest income	(13,372)	(11,336)
Interest expense	10,355	3,821
Depreciation	34,033	31,730
Dividend income	(647)	(360)
Gain on disposal of subsidiaries	(519,234)	(195,908)
Release of deferred gain on disposal of a subsidiary	(77,000)	–
Gain on disposal of associates	(133,209)	–
Gain on partial disposal of an associate	(2,677)	–
Gain on disposal of investments in securities	–	(592)
Realised holding loss on investment in securities	2,307	29
Unrealised holding loss (gain) on investment in securities	36	(623)
Amortisation of goodwill	3,940	3,033
Amortisation of intangible asset	373	–
Release of negative goodwill	(2,244)	(1,855)
Loss on disposal of property, plant and equipment	10,033	2,203
Operating cost flows before movements in working capital	337,377	242,136
Decrease (increase) in stock of properties	37,687	(4,910)
(Increase) decrease in inventories	(11,346)	770
Decrease in trade and other receivables	(308,018)	(39,203)
Increase (decrease) in trade and other payables	76,472	(90,304)
Cash used in operations	132,172	108,489
Interest paid	(41,480)	(43,512)
Overseas tax paid	(15,322)	(15,749)
NET CASH USED IN OPERATING ACTIVITIES	75,370	49,228

Consolidated Cash Flow Statement

For the year ended 31 December 2003

	NOTES	2003 HK\$'000	2002 HK\$'000
INVESTING ACTIVITIES			
Interest received		12,552	9,739
Dividend received		647	360
Purchase of property, plant and equipment		(206,042)	(195,568)
Proceeds from sale of property, plant and equipment		7,255	2,676
Investment in an associate		(112,056)	(29,707)
Purchase of intangible asset		(10,035)	–
Purchase of investments in securities		(80,145)	(136,438)
Redemption of PRC bonds		187	–
Redemption of convertible bonds		66,000	–
Proceeds from disposal of other investments		10,913	1,568
Repayment from an associate		159,773	–
Repayment of (advances to) minority shareholders		30,030	(35,692)
Disposal of subsidiaries	31	14,842	79,556
Acquisition of an associate		–	(81,800)
Disposal of associates		93,545	–
Net cash outflow in respect of purchase of a subsidiary	32	(15,173)	(33,322)
Net cash outflow in respect of partial acquisition of a subsidiary		(994)	–
Net cash inflow in respect of partial disposal of subsidiaries		514,409	124,551
NET CASH USED IN INVESTING ACTIVITIES		485,708	(294,077)
FINANCING ACTIVITIES			
Dividends paid by subsidiaries to minority shareholders		(4,319)	(5,313)
Dividend paid to shareholders		(57,276)	(55,483)
Proceed from issue of shares		3,817	16,310
Net proceed from issue of convertible bonds		374,917	–
Proceed from issue of convertible note		–	125,000
New borrowings		26,887	20,186
Repayment of bank and other loans		(73,050)	–
Repayment to minority shareholders		(17,014)	–
(Decrease) increase in amount due from minority shareholders		23,792	49,563
NET CASH ACTIVITIES FROM FINANCING ACTIVITIES		277,754	150,263
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		838,832	(94,586)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		470,641	565,438
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		–	(211)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		1,309,473	470,641

Notes to the Financial Statements

For the year ended 31 December 2003

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 and sale and distribution of liquefied petroleum gas and natural gas ("Gas fuel") and construction of gas pipelines. During 2002, it ceased its supply of electricity operation.

2. ADOPTION OF NEW AND REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"). The term HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAPs") and Interpretations approved by the HKSA:

SSAP 12 (Revised)	Income taxes
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In the current year, the Group has adopted SSAP 12 (Revised) Income Taxes. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

The adoption of this standard has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

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.

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 2003

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.

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.

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Stock of properties *(continued)*

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.

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.

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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.

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 the 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.

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment *(continued)*

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.

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.

Exclusive operating right for city pipeline network

Exclusive operating right for city pipeline network is stated at cost less accumulated amortisation and any identified impairment loss. The cost incurred for the acquisition of exclusive operating right is capitalised and amortised on a straight-line basis over the estimated useful life of 20 years. The amortisation period and amortisation method are reviewed annually at each financial year and for appropriateness.

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.

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 ("MPF Scheme") in Hong Kong and the state – sponsored retirement plan for its employees in the PRC.

Notes to the Financial Statements

For the year ended 31 December 2003

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

(A) Business segments *(continued)*

- (i) Segment information about these businesses for the year ended 31 December 2003 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	330,979	1,457,632	26,745	–	–	1,815,356
Inter-segment sales	–	–	9,542	–	(9,542)	–
	<u>330,979</u>	<u>1,457,632</u>	<u>36,287</u>	<u>–</u>	<u>(9,542)</u>	<u>1,815,356</u>
Inter-segment sales are charged at prevailing market prices.						
RESULT						
Segment result	<u>26,625</u>	<u>291,848</u>	<u>5,549</u>	<u>–</u>	<u>–</u>	<u>324,022</u>
Other operating income						25,511
Unallocated corporate expenses						<u>(43,616)</u>
Profit from operations						305,917
Finance costs						(10,630)
Gain on disposal of subsidiaries	(94)	532,015	(12,687)	–	–	519,234
Release of deferred gain on disposal of a subsidiary	–	–	–	77,000	–	77,000
Gain on disposal of associates	–	–	133,209	–	–	133,209
Gain on partial disposal of an associate	–	–	2,677	–	–	2,677
Amortisation of goodwill of an associate	–	–	(2,724)	–	–	(2,724)
Share of results of associates	–	–	5,981	–	–	<u>5,981</u>
Profit before taxation						1,030,664
Taxation						<u>(48,654)</u>
Profit before minority interests						982,010
Minority interests						<u>(203,960)</u>
Net profit for the year						<u><u>778,050</u></u>

Notes to the Financial Statements

For the year ended 31 December 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

(A) Business segments *(continued)*

BALANCE SHEET

	Continuing operations		Others HK\$'000	Consolidated HK\$'000
	Property development HK\$'000	Gas fuel business HK\$'000		
ASSETS				
Segment assets	1,993,050	2,103,802	92,762	4,189,614
Interest in associates			184,990	184,990
Unallocated corporate assets				380,100
Consolidated total assets				<u>4,754,704</u>
LIABILITIES				
Segment liabilities	166,766	151,185	5,820	323,771
Unallocated corporate liabilities				1,392,654
Consolidated total liabilities				<u>1,716,425</u>

OTHER INFORMATION

	Continuing operations		Others HK\$'000	Consolidated HK\$'000
	Property development HK\$'000	Gas fuel business HK\$'000		
Capital additions	15,478	273,359	59	288,896
Intangible asset additions	–	10,035	–	10,035
Goodwill additions	–	63,108	–	63,108
Depreciation and amortisation	<u>12,071</u>	<u>23,142</u>	<u>3,133</u>	<u>38,346</u>

Notes to the Financial Statements

For the year ended 31 December 2003

4. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(A) Business segments (continued)

- (ii) 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						20,924
Unallocated corporate expenses						<u>(21,301)</u>
Profit from operations						222,486
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 2003

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
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	
	Property development	Gas fuel business	Others	Electricity supply	Consolidated
	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>

(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.

Notes to the Financial Statements

For the year ended 31 December 2003

5. OTHER OPERATING INCOME

	2003 HK\$'000	2002 HK\$'000
Interest on bank deposits	13,372	11,336
Dividend income	647	360
Gain on disposal of investment in securities	–	592
Net exchange gain	1,162	918
Release of negative goodwill	2,244	1,855
Rental income under operating leases	2,608	2,195
Unrealised holding gain on investment in securities	–	623
Sundry	5,478	3,074
	<u>25,511</u>	<u>20,953</u>

6. PROFIT FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit from operations is arrived at after charging:		
Auditors' remuneration		
Provided for the year	2,170	2,040
Under(over)provision in prior year	175	(332)
	<u>2,345</u>	<u>1,708</u>
Depreciation	34,033	31,730
Operating lease rentals	9,543	5,397
Loss on disposal of property, plant and equipment	10,033	2,203
Unrealised holding loss on investments in securities	36	–
Realised holding loss on investments in securities	2,307	29
Staff costs including directors' remuneration	82,863	78,986
Amortisation of intangible asset		
(included in administrative expenses)	373	–
Amortisation of goodwill (included in administrative expenses)	1,216	1,217
	<u>1,216</u>	<u>1,217</u>

Notes to the Financial Statements

For the year ended 31 December 2003

7. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

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

	2003 HK\$'000	2002 HK\$'000
Fees	300	238
Salaries and other emoluments	8,303	8,417
Contributions to retirement benefits scheme	125	125
Discretionary bonuses	900	700
	<u>9,628</u>	<u>9,480</u>

The amounts disclosed above include directors' fees of HK\$300,000 (2002: HK\$237,500) payable to independent non-executive directors. No other emoluments were payable to independent non-executive directors.

The emoluments of the directors were within the following bands:

	Number of individuals	
	2003	2002
Emolument band (Hong Kong Dollars)		
\$Nil – \$1,000,000	4	4
\$1,000,001 – \$1,500,000	1	–
\$1,500,001 – \$2,000,000	1	3
\$2,000,001 – \$2,500,000	1	–
\$4,000,001 – \$4,500,000	1	1
	<u>1</u>	<u>1</u>

Of the five individuals with the highest emoluments in the Group, four (2002: four) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining individual were as follows:

	2003 HK\$'000	2002 HK\$'000
Salaries and allowances	707	1,171
Contributions to retirement benefits scheme	19	–
	<u>726</u>	<u>1,171</u>

His emoluments were within the emolument band from HK\$nil to HK\$1,000,000 (2002: from HK\$1,000,001 to HK\$1,500,000).

Notes to the Financial Statements

For the year ended 31 December 2003

8. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on		
Bank loans and other borrowing wholly repayable within five years	37,790	41,522
Convertible bonds	5,408	–
Convertible notes	484	1,248
	<hr/>	<hr/>
Total borrowing cost	43,682	42,770
Less: Amount capitalised to properties under development for sale	(33,327)	(38,949)
	<hr/>	<hr/>
	10,355	3,821
Bank charges	275	244
Handling charge	–	285
	<hr/>	<hr/>
	10,630	4,350
	<hr/>	<hr/>

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.8% (2002: 5.6%) to expenditure on qualifying assets.

9. GAIN ON DISPOSAL OF SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Gain on partial disposal of interests in subsidiaries	532,803	111,860
(Loss) gain on disposal of subsidiaries (see note 31)	(13,569)	84,048
	<hr/>	<hr/>
	519,234	195,908
	<hr/>	<hr/>

Gain on partial disposal of interests in subsidiaries represented the gain arising on disposal of shares of Chenzhou Pan River Gas Industry Co., Ltd. and Panva Gas Holdings Limited respectively to third parties.

Notes to the Financial Statements

For the year ended 31 December 2003

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
Turnover	40,474
Cost of sales	(35,241)
Other operating income	179
Other operating expenses	(3,053)
Finance costs	(1,144)
	<hr/>
Profit before taxation	1,215
Tax Credit	3
	<hr/>
Profit after taxation	<u>1,218</u>

During 2002, Sinolink Industrial paid HK\$35,213,000 to the Group's net operating cash flows, paid HK\$85,542,000 in respect of investing activities and contributed HK\$113,991,000 in respect of financing activities.

The carrying amounts of the assets and liabilities of Sinolink Industrial at the date of disposal is disclosed as follows:

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

Notes to the Financial Statements

For the year ended 31 December 2003

10. DISCONTINUING OPERATIONS *(continued)*

A gain of HK\$84 million during 2002 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 31). No tax charge or credit arose from the transaction.

According to the sales agreement, the Group guaranteed the acquirer approximately RMB135,000,000 profit in respect of a subsidiary of Sinolink Industrial, Fuhuade for the two years ending 31 December 2003. Since the profit guarantee was met and the deferred gain of HK\$77 million on the disposal of Sinolink Industrial was released during the year.

11. TAXATION

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in nor derived from Hong Kong.

The tax rate applicable for all other PRC subsidiaries ranges from 15% to 33%.

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are entitled to exemption from PRC enterprise income tax for the first two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC enterprise income tax for the following three years. The reduced tax rate for the relief period ranges from 12% to 16.5%. PRC enterprise income tax for the year has been provided for after taking these tax incentives into account.

Notes to the Financial Statements

For the year ended 31 December 2003

11. TAXATION (continued)

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

	2003 HK\$'000	2002 HK\$'000
Profit before taxation (excluding share of results of associates)	<u>1,024,683</u>	<u>411,994</u>
Tax at the applicable tax rate of 33% (2002: 33%)	338,145	135,958
Tax effect of tax losses not recognised	5,392	2,248
Tax effect of expenses not deductible for tax purpose	9,344	91,038
Tax effect of income that is exempted from PRC enterprise income tax and other regions outside Hong Kong in determining taxable profit	(256,120)	(194,922)
Effect of different tax rates of subsidiaries entitled to a 50% reduction in PRC enterprise income tax rates and operating in different provinces	<u>(51,106)</u>	<u>(18,388)</u>
	45,655	15,934
Share of taxation of associates	<u>2,999</u>	<u>134</u>
Tax expenses	<u>48,654</u>	<u>16,068</u>

At the balance sheet date, the Group has unused tax losses of HK\$46,070,000 (2002: HK\$29,796,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Out of the unrecognised losses, HK\$1,400,000 (2002: Nil) has been expired. Included in unrecognised losses are losses of HK\$43,304,000 (2002: HK\$28,430,000) will be carried forward for five years from date of origination. Other losses may be carried forward indefinitely.

Notes to the Financial Statements

For the year ended 31 December 2003

12. DIVIDENDS

	2003 HK\$'000	2002 HK\$'000
Ordinary shares:		
Interim, paid – HK\$0.03 per share (2002: HK\$0.03)	57,276	55,483
Final, proposed – HK\$0.03 per share (2002: Nil)	57,460	–
	<u>114,736</u>	<u>55,483</u>

Pursuant to a resolution passed at a meeting of board of directors held on 21 April 2004, the directors of the Company recommended a bonus issue of new shares of HK\$0.10 each to shareholders of the Company on the basis of two shares for every ten shares held. The bonus issue of shares is subject to shareholders approval at the forthcoming annual general meeting of the Company to be held on 25 May 2004.

13. EARNINGS PER SHARE

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

	2003 HK\$'000	2002 HK\$'000
Earnings for the purposes of basic earnings per share	778,050	294,429
Effect of dilutive potential shares:		
Interest on convertible note	489	824
Earnings for the purposes of diluted earnings per share	<u>778,539</u>	<u>295,253</u>
Weighted average number of shares for the purposes of basic earnings per share	1,865,048,000	1,820,292,000
Effect of dilutive potential ordinary shares:		
Options	4,133,000	15,133,000
Convertible note	38,564,000	81,450,000
Weighted average number of shares for the purposes of diluted earnings per share	<u>1,907,745,000</u>	<u>1,916,875,000</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 both 2002 and 2003.

The computation of diluted earnings per share does not assume the conversion of the outstanding convertible bonds issued by Panva Gas as the conversion of those convertible bonds is anti-dilutive.

Notes to the Financial Statements

For the year ended 31 December 2003

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
THE GROUP							
COST OR VALUATION							
At 1 January 2003	140,320	12,239	147,309	29,592	32,333	157,011	518,804
Acquisition of subsidiaries	5,988	46,518	1,376	245	200	28,527	82,854
Disposal of subsidiaries	(1,130)	–	(925)	(267)	(242)	–	(2,564)
Additions	12,620	30,317	4,696	13,139	8,761	136,509	206,042
Disposals	(14,264)	(4,044)	(111)	(490)	(6,180)	(2)	(25,091)
Transfer	3,559	(30,977)	2,687	210	85	24,436	–
At 31 December 2003	147,093	54,053	155,032	42,429	34,957	346,481	780,045
Comprising:							
At cost	–	54,053	155,032	42,429	34,957	346,481	632,952
At valuation 2003	147,093	–	–	–	–	–	147,093
	147,093	54,053	155,032	42,429	34,957	346,481	780,045
DEPRECIATION							
At 1 January 2003	20,509	–	28,852	17,912	13,743	5,113	86,129
Disposal of subsidiaries	(131)	–	(274)	(236)	(76)	–	(717)
Provided for the year	7,547	–	8,090	7,064	4,542	6,790	34,033
Eliminated on disposals	(3,952)	–	(10)	(406)	(3,435)	–	(7,803)
At 31 December 2003	23,973	–	36,658	24,334	14,774	11,903	111,642
NET BOOK VALUES							
At 31 December 2003	<u>123,120</u>	<u>54,053</u>	<u>118,374</u>	<u>18,095</u>	<u>20,183</u>	<u>334,578</u>	<u>668,403</u>
At 31 December 2002	<u>119,811</u>	<u>12,239</u>	<u>118,457</u>	<u>11,680</u>	<u>18,590</u>	<u>151,898</u>	<u>432,675</u>

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.

Notes to the Financial Statements

For the year ended 31 December 2003

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

No professional valuation of the leasehold land and buildings was carried out at 31 December 2003 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\$78,160,000 (2002: HK\$66,322,000).

The Group had pledged property, plant and equipment with a net book value of approximately HK\$43,963,000 (2002: HK\$8,135,000) to secure banking facilities granted to the Group (note 40).

	Furniture, fixtures and equipment <i>HK\$'000</i>
THE COMPANY	
COST	
At 1 January 2003	2,409
Additions	59
Disposals	(1,503)
	<hr/>
At 31 December 2003	965
	<hr/>
DEPRECIATION	
At 1 January 2003	1,050
Provided for the year	412
Eliminated on disposals	(731)
	<hr/>
At 31 December 2003	731
	<hr/>
NET BOOK VALUE	
At 31 December 2003	234
	<hr/> <hr/>
At 31 December 2002	1,359
	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 31 December 2003

15. INTANGIBLE ASSET

THE GROUP
Exclusive operating
right for city
pipeline network
HK\$'000

COST	
Acquired during the year and at 31 December 2003	10,035
AMORTISATION	
Charge for the year and at 31 December 2003	(373)
NET BOOK VALUE	
At 31 December 2003	9,662

The Group's exclusive operating right for city pipeline network was purchased from third parties.

The exclusive operating right is amortised on a straight line basis over 20 years.

16. GOODWILL

THE GROUP
2003
HK\$'000

COST	
At 1 January 2003	24,519
Arising on conversion of convertible note into shares in a subsidiary	63,108
At 31 December 2003	87,627
AMORTISATION	
At 1 January 2003	1,860
Provided for the year	1,216
At 31 December 2003	3,076
NET BOOK VALUE	
At 31 December 2003	84,551
At 31 December 2002	22,659

The amortisation period adopted for goodwill is 20 years.

Notes to the Financial Statements

For the year ended 31 December 2003

17. NEGATIVE GOODWILL

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
GROSS AMOUNT		
At 1 January	(28,585)	(19,100)
Arising on acquisition during the year	(6,954)	(9,485)
Arising on acquisition of additional interest in a subsidiary	(2,130)	–
Eliminated on disposal during the year	19,100	–
	<hr/>	<hr/>
At 31 December	(18,569)	28,585
	<hr/>	<hr/>
RELEASED TO INCOME		
At 1 January	2,000	145
Released to income in the year	1,296	1,855
Eliminated on disposal during the year	(2,749)	–
	<hr/>	<hr/>
At 31 December	547	2,000
	<hr/>	<hr/>
CARRYING AMOUNT		
At 31 December	(18,022)	26,585
	<hr/>	<hr/>

The negative goodwill in 2002 represented the Group's acquisition of an additional interest in Shenzhen Fuhuade Electric Power Co., Ltd. and interest in Weiyuan Panva Gas Co., Ltd. At the dates of acquisition, HK\$19,100,000 and HK\$9,485,000 of negative goodwill were identified respectively.

The negative goodwill in 2003 arose on the Group's acquisition of an additional interest in Chenzhou Pan River Gas Industry Co., Ltd. and interests in Lezhi Panva Gas Co., Ltd. and Pingchang Panva Gas Co., Ltd.. At the date of acquisition, HK\$2,130,000, HK\$1,195,000 and HK\$5,759,000 of negative goodwill were identified respectively.

The remaining negative goodwill is released to income on a straight line basis of 30 years, being the remaining weighted average useful life of the depreciable assets acquired.

Notes to the Financial Statements

For the year ended 31 December 2003

18. INVESTMENTS IN SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	670,174	670,174
Amounts due from subsidiaries	235,323	208,159
	905,497	878,333

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 2003 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				
Executive Choice Investments Limited	BVI	1 share of US\$1 each	100%	Investment holding
Kenson Investment Limited	BVI	1 share of US\$1 each	100%	Investment holding
Leader Faith International 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 2003

18. 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	12,821 shares of US\$1 each	100%	Investment holding
Chenzhou Pan River Gas Industry Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB9,000,000	60%	Wholesaling and retailing of LP Gas
China Overlink Holdings Co., Limited	BVI	1 share of US\$1 each	100%	Investment holding
Chizhou Panva Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB20,000,000	60%	The provision of LP Gas and related services and gas pipeline construction
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
Knatwood Limited	BVI	1 share of US\$1 each	100%	Investment holding
Lezhi Panva Gas Co., Ltd.	PRC – Limited liability company	RMB14,800,000	100%	The provision of natural gas and related services and gas pipeline construction

Notes to the Financial Statements

For the year ended 31 December 2003

18. 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)				
Link Capital Investments Limited	BVI	50,000 shares of US\$1 each	100%	Investment holding
Jinan Panva Gas Co., Ltd.	PRC – Sino-foreign equity joint	RMB100,000,000	51%	The provision of LP Gas, natural gas and related services and gas pipeline construction
Nanjing Panva LPG Company Ltd.	PRC – Sino-foreign equity joint venture	RMB50,000,000	55%	Wholesaling and retailing of LP Gas
Nanjing Panva Pipeline Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	US\$1,010,000	77.95%	The provision of LP Gas and related services and gas pipeline construction
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	100%	Investment holding
Panva Gas Holdings Limited	Cayman Islands	779,097,891 shares of HK\$0.1 each	56.94%	Investment holding
Panva Gas (Yunnan) Co., Ltd.	PRC – Limited liability company	RMB58,840,000	56.94%	Wholesaling and retailing of LP Gas

Notes to the Financial Statements

For the year ended 31 December 2003

18. 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 (Changde) Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB6,000,000	85%	Wholesaling and retailing of LP Gas
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

Notes to the Financial Statements

For the year ended 31 December 2003

18. 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)				
Pingchang Panva Gas Co., Ltd.	PRC – Limited liability company	RMB8,000,000	90%	The provision of natural gas and related services and gas pipeline construction
深圳湖心島實業有限公司	PRC – Sino-foreign equity joint venture	RMB10,000,000	82%	Property development
Shenzhen China Overseas–Sinolink Property Management Co., Ltd.	PRC – Limited liability company	RMB1,500,000	100%	Property management
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
Singkong Investments Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Investment holding

Notes to the Financial Statements

For the year ended 31 December 2003

18. 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 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
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 – Limited liability company	RMB5,000,000	99.5%	The provision of natural gas and related services and gas pipeline construction
Xiangtan Pan River Energy Industry Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB10,000,000	55%	Wholesaling and retailing of LP Gas

Notes to the Financial Statements

For the year ended 31 December 2003

18. 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)				
Yangzi Petrochemical Baijiang Energy Resources Co., Ltd. ("Yangzi Panva")	PRC – Sino-foreign equity joint venture	US\$7,230,000	50% (Note 1)	Wholesaling and retailing of LP Gas
Yangzhou YPC & Panva Gas Co., Ltd.	PRC – Limited liability company	RMB10,000,000	55%	Wholesaling and retailing of LP Gas
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.	PRC – Limited liability company	RMB9,890,000	90%	The provision of natural gas and related services and gas pipeline construction
Zunyi Pan River Gas Co., Ltd.	PRC – Limited liability company	RMB4,200,000	50.10%	Wholesaling and retailing of LP Gas

Note 1: Yangzi Panva 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 2003 or at any time during the year except from Panva Gas Holdings Limited which has issued HK\$389,750,000 of convertible bonds, in which the Group has no interest.

Notes to the Financial Statements

For the year ended 31 December 2003

19. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Listed shares at cost	–	–	246,591	163,563
Share of net assets	156,421	39,005	–	–
Amounts due from associates	–	10,908	–	–
Loan to an associate	–	27,303	–	–
Goodwill on acquisition of an associate	49,942	52,666	–	–
Negative goodwill on acquisition of an associate	(21,811)	–	–	–
	<u>184,552</u>	<u>129,882</u>	<u>246,591</u>	<u>163,563</u>
Market value of listed shares			<u>138,801</u>	<u>83,542</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.

Notes to the Financial Statements

For the year ended 31 December 2003

19. INTERESTS IN ASSOCIATES (continued)

Details of movements of goodwill and negative goodwill on acquisition of associates are as follows:

	GOODWILL		NEGATIVE GOODWILL	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
COST				
At beginning of the year	54,482	–	–	–
Acquired on purchase of an associate	–	54,482	(22,759)	–
At end of the year	54,482	54,482	(22,579)	–
AMORTISATION				
At beginning of the year	1,816	–	–	–
Provided for the year	2,724	1,816	–	–
Released to income in the year	–	–	948	–
At end of the year	4,540	1,816	948	–
NET BOOK VALUES				
At end of the year	49,942	52,666	(21,811)	–
At beginning of the year	52,666	–	–	–

The goodwill in 2002 represented the Group's acquisition of Enerchina Holdings Limited. At date of acquisition, HK\$54,482,000 of goodwill had been arisen. The amortisation period adopted for goodwill is 20 years.

The negative goodwill in 2003 arose on the acquisition of an additional interest in Enerchina Holdings Limited. The negative goodwill is released to income on a straight line basis of 20 years, being the remaining weighted average useful life of the depreciable assets acquired.

Notes to the Financial Statements

For the year ended 31 December 2003

19. INTERESTS IN ASSOCIATES *(continued)*

As at 31 December 2003, the Group had an interest in the following associate:

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
Enerchina Holdings Limited ("Enerchina")	Bermuda	762,762,968 shares of HK\$0.01 each	33.70%	Investment holding

20. INVESTMENT IN SECURITIES

	Held to maturity debt securities		Investment securities		Other investments		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
THE GROUP								
Equity securities								
Listed – Hong Kong	–	–	–	–	126	31,455	126	31,455
Unlisted	–	–	83,917	1,949	–	–	83,917	1,949
	<u>–</u>	<u>–</u>	<u>83,917</u>	<u>1,949</u>	<u>126</u>	<u>31,455</u>	<u>84,043</u>	<u>33,404</u>
Debt securities								
Unlisted	50,000	116,000	–	–	–	–	50,000	116,000
	<u>50,000</u>	<u>116,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>50,000</u>	<u>116,000</u>
Total								
Listed – Hong Kong	–	–	–	–	126	31,455	126	31,455
Unlisted	50,000	116,000	83,917	1,949	–	–	133,917	117,949
	<u>50,000</u>	<u>116,000</u>	<u>83,917</u>	<u>1,949</u>	<u>126</u>	<u>31,455</u>	<u>134,043</u>	<u>149,404</u>
Market value of listed securities	–	–	–	–	126	31,455	126	31,455
Carrying amount analysed for reporting purposes as:								
Non-current	–	116,000	83,917	1,949	–	–	83,917	117,949
Current	50,000	–	–	–	126	31,455	50,126	31,455
	<u>50,000</u>	<u>116,000</u>	<u>83,917</u>	<u>1,949</u>	<u>126</u>	<u>31,455</u>	<u>134,043</u>	<u>149,404</u>

Notes to the Financial Statements

For the year ended 31 December 2003

20. INVESTMENT IN SECURITIES (continued)

	Held to maturity debt securities		Investment securities		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
THE COMPANY						
Debt securities						
Unlisted	50,000	116,000	–	–	50,000	116,000
Equity securities						
Listed – Hong Kong	–	–	–	5,512	–	5,512
	<u>50,000</u>	<u>116,000</u>	<u>–</u>	<u>5,512</u>	<u>50,000</u>	<u>121,512</u>
Market value of listed securities	–	–	–	5,512	–	5,512
Carrying amount analysed for reporting purposes as:						
Non-current	–	116,000	–	–	–	116,000
Current	50,000	–	–	5,512	50,000	5,512
	<u>50,000</u>	<u>116,000</u>	<u>–</u>	<u>5,512</u>	<u>50,000</u>	<u>121,512</u>

21. STOCK OF PROPERTIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Properties under development for sale		
Cost plus attributable profit less foreseeable losses	1,478,668	1,383,645
Less: Progress payments received	–	(1,929)
	<u>1,478,668</u>	<u>1,381,716</u>
Stock of unsold properties	161,326	262,638
	<u>1,639,994</u>	<u>1,644,354</u>

Included in stock of properties is interest capitalised of HK\$119,132,000 (2002: HK\$85,809,000).

Notes to the Financial Statements

For the year ended 31 December 2003

22. INVENTORIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
At cost:		
Gas fuel	23,442	11,512
Consumable stores	12,975	12,239
	<u>36,417</u>	<u>23,751</u>

23. 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 5 years are also allowed by the Group. Included in trade and other receivables are trade receivables totalling from HK\$193,176,000 (2002: HK\$114,327,000), the aged analysis of which is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Aged:		
0 to 90 days	136,789	96,856
91 to 180 days	47,109	5,357
181 to 360 days	3,743	4,784
over 360 days	5,535	7,330
	<u>193,176</u>	<u>114,327</u>
Less: Non-current portion	–	(1,269)
	<u>193,176</u>	<u>113,058</u>

24. AMOUNT DUE FROM AN ASSOCIATE

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

Notes to the Financial Statements

For the year ended 31 December 2003

25. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$126,235,000 (2002: HK\$164,058,000), the aged analysis of which is as follows:

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Aged:		
0 to 90 days	108,256	140,461
91 to 180 days	2,203	121
181 to 360 days	1,836	804
over 360 days	13,940	22,672
	<hr/>	<hr/>
	126,235	164,058
	<hr/>	<hr/>

26. AMOUNTS DUE TO SUBSIDIARIES

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

27. 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 2003

28. BORROWINGS

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank loans				
– secured	219,953	189,529	–	–
– unsecured	516,770	522,950	–	–
Other loans				
– unsecured	972	–	–	–
Convertible note	125,000	206,600	–	81,600
Convertible bonds	372,016	–	–	–
	<u>1,234,711</u>	<u>919,079</u>	<u>–</u>	<u>81,600</u>
The maturity of the above loans is as follows:				
On demand or within one year	669,056	14,599	–	–
More than one year but not exceeding two years	191,020	–	–	–
More than two years but not exceeding five years	374,635	904,480	–	81,600
	<u>1,234,711</u>	<u>919,079</u>	<u>–</u>	<u>81,600</u>
Less: Amount due within one year shown under current liabilities	(669,056)	(14,599)	–	–
Non-current portion	<u>565,655</u>	<u>904,480</u>	<u>–</u>	<u>81,600</u>

The interest rate paid on both bank and other loans during the year was based on prevailing markets rates.

During 2002, the convertible 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.

During 2003, the convertible note due to a third party, Silvergrant International Industries Limited, issued on 6 May 2002 was partly converted into 51,000,000 shares of the Company at a conversion price of HK\$0.8 per share. The outstanding unconverted principal amount of the note was redeemed during the year at par.

Notes to the Financial Statements

For the year ended 31 December 2003

28. BORROWINGS (continued)

The remaining amount of HK\$125,000,000, being the exchangeable note issued by a subsidiary of the Company, will 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 October 2004 at par. Interest is payable at 2% per annum.

The convertible bonds were issued on 23 April 2003 by a subsidiary of the Company. The bonds are convertible into shares of Panva Gas on or after 7 June 2003 and up to 9 April 2008. The outstanding unconverted principal amount of the bonds will be redeemed on 23 April 2008 at 108.119%. Interest of 2% is paid per annum.

29. SHARE CAPITAL

	Number of shares		Share capital	
	2003	2002	2003 HK\$'000	2002 HK\$'000
<i>Authorised:</i>				
Shares of HK\$0.1 each				
Balance as at 1 January				
and as at 31 December	4,800,000,000	4,800,000,000	480,000	480,000
<i>Issued and fully paid:</i>				
Balance as at 1 January	1,849,437,000	1,672,000,000	184,944	167,200
Share options exercised (note 35)	10,571,000	42,845,000	1,057	4,285
Warrants exercised	27,200	–	3	–
Convertible note converted	51,000,000	134,592,000	5,100	13,459
Balance as at 31 December	1,911,035,200	1,849,437,000	191,104	184,944

Notes:

During 2002, the subscription rights attached to 15,950,000 shares, 26,675,000 shares and 220,000 share options were exercised at subscription prices 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, a convertible note of HK\$55,183,000 was converted into 134,592,000 shares of HK\$0.1 each in the Company at the price of HK\$0.41.

Notes to the Financial Statements

For the year ended 31 December 2003

29. SHARE CAPITAL (continued)

During 2003, the subscription rights attached to 7,051,000, 3,300,000 and 220,000 share options were exercised at subscription prices of HK\$0.33, HK\$0.41 and HK\$0.50 per share respectively resulting in the issue of 10,571,000 shares of HK\$0.1 each in the Company for a total cash consideration before expenses of HK\$3,789,830.

On 26 March 2003, a convertible note of HK\$40,800,000 was converted into 51,000,000 shares of HK\$0.1 each in the Company at the price of HK\$0.80.

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

30. RESERVES

	Share premium account HK\$'000	Properties 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 2002	278,653	19,462	(5,710)	(5,920)	57,722	858	368,262	395,233	1,108,560
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	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
Exchange rate adjustment not recognised in the income statement	–	–	(724)	–	–	–	–	–	(724)
Shares issued at premium	38,457	–	–	–	–	–	–	–	38,457
Addition during the year	–	–	122	–	483	–	–	–	605
Realised on disposal of subsidiaries	–	(64)	(19)	–	(75)	32	–	–	(126)
Realised on partial disposal of a subsidiary	–	(994)	260	81	(878)	(301)	–	–	(1,832)
Realised on disposal of an associate	–	(5,323)	(309)	–	(3,165)	(58)	–	–	(8,855)
Transfer from profit and loss account	–	–	–	–	958	–	–	(958)	–
Profit for the year	–	–	–	–	–	–	–	778,050	778,050
Dividend	–	–	–	–	–	–	–	(57,276)	(57,276)
At 31 December 2003	370,859	2,470	(6,885)	2,672	57,354	454	367,782	1,347,865	2,142,571

Notes to the Financial Statements

For the year ended 31 December 2003

30. RESERVES (continued)

	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
THE COMPANY				
At 1 January 2002	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)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	332,402	572,173	59,234	963,809
Premium arising on issue of shares	38,457	–	–	38,457
Profit for the year	–	–	46,024	46,024
Dividend	–	–	(57,276)	(57,276)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	<u>370,859</u>	<u>572,173</u>	<u>47,982</u>	<u>991,014</u>

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

	Accumulated loss HK\$'000
At 1 January 2003	(26,783)
Profit for the year, accumulated	5,981
Eliminated on disposal	(4,194)
	<hr/>
At 31 December 2003	<u>(24,996)</u>

The contributed surplus of the Group 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 Company 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.

Notes to the Financial Statements

For the year ended 31 December 2003

30. RESERVES (continued)

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.

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

	2003 HK\$'000	2002 HK\$'000
Contributed surplus	572,173	572,173
Retained earnings	47,982	59,234
	<hr/> 620,155 <hr/>	<hr/> 631,407 <hr/>

Notes to the Financial Statements

For the year ended 31 December 2003

31. DISPOSAL OF SUBSIDIARIES

During 2003 the Group disposed of four subsidiaries, I-Happy Profit Limited, Nanling Pan River LPG Co., Ltd., Shenzhen Weikong Decorate Engineering Co., Ltd. and Wuhu Pan River Jiangbei Enterprises Co., Ltd.. Their net assets at the date of disposal and at 31 December 2003 were as follows:

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.

	2003 HK\$'000	2002 HK\$'000
Net (liabilities) assets disposed of:		
Property, plant and equipment	1,847	284,886
Interests in associate	–	564
Inventories	772	15,073
Trade receivables	100	9,613
Bank balances and cash	21	83,479
Other receivables, deposits and prepayments	10,672	3,518
Investments in securities	18,073	–
Trade payables	(1,438)	(7,028)
Other payables and accruals	(1,311)	(20,167)
Loan from a minority shareholder of a subsidiary	–	(27,301)
Shareholder's loan	–	(137,902)
Tax payable	–	(483)
Bank borrowings	–	(174,144)
Minority interests	(178)	(31,238)
	28,558	(1,130)
Realisation of reserves on disposal:		
Properties revaluation account	(64)	(10,611)
Translation reserve	(19)	(294)
Goodwill reserve	–	8,511
General reserve	(75)	(3,821)
Capital reserve	32	(77)
Contributed surplus	–	(480)
	28,432	(7,902)

Notes to the Financial Statements

For the year ended 31 December 2003

31. DISPOSAL OF SUBSIDIARIES (continued)

	2003 HK\$'000	2002 HK\$'000
Deferred gain on disposal	–	77,000
Unrealised gain on disposal	–	68,987
(Loss) gain on disposal	(13,569)	84,048
	<hr/>	<hr/>
Total consideration	14,863	222,133
	<hr/>	<hr/>
Satisfied by:		
Cash consideration	14,863	163,035
Debt assignment	–	(137,902)
Loan	–	197,000
	<hr/>	<hr/>
	14,863	222,133
	<hr/>	<hr/>
Net cash inflow (outflow) arising on disposal:		
Cash received	14,863	163,035
Bank balance and cash disposed of	(21)	(83,479)
	<hr/>	<hr/>
	14,842	79,556
	<hr/>	<hr/>

According to the sale and purchase agreement dated 8 March 2002 ("Agreement"), the Group guaranteed Enerchina, approximately RMB135,000,000 of profit in respect of a subsidiary of Sinolink Industrial, Fuhuade for the two years ending 31 December 2003. Since the profit guarantee of Fuhuade was met at the balance sheet date, the deferred gain was released to income during the year. According to the Agreement, the balance of HK\$197,000,000 is payable on demand. During 2003, HK\$122,000,000 was settled in cash.

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

Notes to the Financial Statements

For the year ended 31 December 2003

32. ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired 100%, and 90% of the registered capital of Lezhi Panva Gas Co., Ltd. and Pingchang Panva Gas Co., Ltd.. respectively Both acquisitions have been accounted for by the acquisition method of accounting. The amount of negative goodwill arising as a result of the acquisitions was HK\$1,195,000 and HK\$5,759,000, respectively.

	2003 HK\$'000	2002 HK\$'000
Net assets acquired:		
Property, plant and equipment	82,854	77,729
Other investments	2,010	344
Inventories	2,092	126
Trade receivables	288	782
Other receivables, deposits and prepayments	24,188	1,386
Bank and cash balances	543	1,033
Trade payables	(2,077)	(3,119)
Other payables and accruals	(51,634)	(34,960)
Short term borrowings	(4,902)	(660)
Long term borrowings	(25,678)	–
Minority interests	(1,273)	(1,282)
	26,411	41,379
Goodwill	–	2,461
Negative goodwill	(6,954)	(9,485)
Total consideration	19,457	34,355
Satisfied by		
Cash paid	15,716	34,355
Payable	3,741	–
	19,457	34,355
Net cash outflow arising on acquisition:		
Cash consideration	(15,716)	(34,355)
Bank balances and cash acquired	543	1,033
	(15,173)	(33,322)

The subsidiaries acquired during the year contributed HK\$79,027,000 to the Group's turnover and HK\$63,966,000 to the Group's profit from operations.

Notes to the Financial Statements

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33. MAJOR NON-CASH TRANSACTIONS

On 26 March 2003, convertible note of HK\$40,800,000 was converted into 51,000,000 shares of HK\$0.10 each in the Company. The new shares rank pari passu with the existing shares in all aspects.

34. RELATED PARTY TRANSACTIONS

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

	2003 HK\$'000	2002 HK\$'000
Skillful Assets Limited (Notes a & b)		
– Rental paid thereto (Note c)	996	1,047
Mr. Ou Yaping (Note a)		
– Convertible note interest paid thereto (Note d)	–	287
Enerchina		
– Interest received therefrom (Note d)	4,456	3,886
– Office expenses received therefrom	788	–
	<u>788</u>	<u>–</u>

Notes:

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

Notes to the Financial Statements

For the year ended 31 December 2003

35. 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	Outstanding at end of year
For the year ended 31 December 2003	48,371,000	–	10,571,000	2,650,000	35,150,000
For the year ended 31 December 2002	103,796,000	45,800,000	42,845,000	58,380,000	48,371,000

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

	2003	2002
At 1 January	33,850,000	86,900,000
Granted during the year	–	27,800,000
Exercised during the year	(6,050,000)	(36,850,000)
Lapsed during the year	–	(44,000,000)
	27,800,000	33,850,000

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

Total consideration received during the year was Nil (2002: HK\$56).

Notes to the Financial Statements

For the year ended 31 December 2003

35. SHARE OPTION (continued)

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

	2003	2002
Expiry date	–	01.09.2004 to 23.04.2006
Exercise price	–	HK\$0.67 to HK\$0.81
Aggregate proceeds if shares are issued	–	HK\$32,226,000

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

	2003	2002
Expiry date	01.01.2004 to 01.06.2006	03.09.2002 to 01.06.2006
Exercise price	HK\$0.33 to HK\$0.50	HK\$0.33 to HK\$0.50
Aggregate issue proceeds	HK\$3,789,830	HK\$16,310,000

As at 31 December 2003, details of options are as follows:

	Expiry date	Exercise price	2003	2002
"in the money"	03.09.2002	HK\$0.41 to HK\$0.50	–	330,000
	to 01.01.2004			
	01.09.2004	HK\$0.33 to HK\$0.67	20,700,000	–
	to 01.01.2005			
	01.01.2005	HK\$0.33 to HK\$0.41	–	12,441,000
	to 01.06.2006			
	03.04.2005	HK\$0.67	14,450,000	–
	to 01.12.2005			
"out of money"	01.09.2004	HK\$0.67 to HK\$0.81	–	35,600,000
	to 23.04.2006			
			35,150,000	48,371,000

Notes to the Financial Statements

For the year ended 31 December 2003

35. SHARE OPTION *(continued)*

The share prices on the dates of exercise of options on 18 June 2003, 29 July 2003, 3 October 2003, 29 October 2003 and 28 November 2003 were HK\$0.60, HK\$0.60, HK\$0.74, HK\$0.85 and HK\$0.92 respectively.

The share prices on the dates of issue of shares upon exercise of options on 18 June 2003, 29 July 2003, 3 October 2003, 29 October 2003 and 28 November 2003 were HK\$0.60, HK\$0.60, HK\$0.74, HK\$0.85 and HK\$0.92 respectively.

36. 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	
	2003	2002
	HK\$'000	HK\$'000
Group contributions to staff provident fund	5,495	5,925
Forfeited contributions utilised	—	(33)
	<hr/>	<hr/>
Net contributions charged to operating profit	5,495	5,892
	<hr/>	<hr/>
Un-utilised forfeited contributions	—	—
	<hr/>	<hr/>

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 Group 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 2003

37. CONTINGENT LIABILITIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Guarantees given to banks as security for the mortgage loans arranged for the purchasers of the Group's properties	<u>17,256</u>	<u>254,546</u>
Corporate guarantee given to a bank to secure bank borrowings granted to an associate	<u>–</u>	<u>279,701</u>
	THE COMPANY	
	2003 HK\$'000	2002 HK\$'000
Corporate guarantee given to a bank to secure general banking facilities granted to a subsidiary	<u>514,500</u>	<u>514,500</u>

38. CAPITAL COMMITMENTS

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Commitments in respect of properties under development:		
– authorised but not contracted for	881,292	1,429,652
– contracted for but not provided in the financial statements	<u>538,266</u>	<u>110,607</u>
	<u>1,419,558</u>	<u>1,540,259</u>
Commitments in respect of interest in subsidiaries contracted for but not provided in the financial statements	<u>186,361</u>	<u>87,618</u>
	<u>1,605,919</u>	<u>1,627,877</u>

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

Notes to the Financial Statements

For the year ended 31 December 2003

39. 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	
	2003 HK\$'000	2002 HK\$'000
Within one year	336	225
In the second to fifth year inclusive	540	2
Over five years	306	–
	<u>1,182</u>	<u>227</u>

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

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	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Within one year	5,712	7,739	1,105	1,560
In the second to fifth years inclusive	12,774	11,634	–	845
Over five years	18,719	20,724	–	–
	<u>37,205</u>	<u>40,097</u>	<u>1,105</u>	<u>2,405</u>

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

40. 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 (2002: HK\$388,030,000) to secure general banking facilities granted to a subsidiary of the Company.

In addition, the Group had pledged property, plant and equipment having a net book value amounting to approximately HK\$43,963,000 (2002: HK\$8,135,000) to secure bank loans granted to the subsidiaries of the Company.

Notes to the Financial Statements

For the year ended 31 December 2003

41. POST BALANCE SHEET EVENT

On 8 January 2004, Kenson Investment Limited, a wholly owned subsidiary of the Company, subscribed for 155,200,000 new shares of Panva Gas. Upon completion of the subscription, the Group increased its interests in Panva Gas from 56.94% to 63.59%.

In January 2004, Panva Gas, a subsidiary of the Group signed a formal agreement with the Municipal Government of the municipality of Yuechi, Sichuan Province of the PRC for the acquisition of a 90% interest in Yuechi Natural Gas Company at a consideration of HK\$34,612,000.

On 5 February 2004, the Group entered into an agreement with 深圳創維鴻洲科技開發有限公司 and 黃宏生 where the Group has agreed to dispose the entire issued share capital of 深圳湖心島實業有限公司 (“深圳湖心島”), a subsidiary of the Company with 82% equity interest for a consideration of approximately HK\$66,188,000. The consideration for the disposal was determined, after arm's length negotiations with the reference to the registered capital of 深圳湖心島 and costs incurred for the property under development on land held in Dameisha in Shenzhen. A gain on disposal of HK\$3,898,000 was resulted.

On 14 April 2004, Enerchina completed an open offer of two offer shares for every existing share held. Smart Orient Investments Limited, a wholly owned subsidiary of the Company, acted as the underwriter of the open offer. A total of 1,525,525,936 shares were issued as a resulting raising approximately HK\$610,210,000. Upon completion of the subscription, the Group increased its interests in Enerchina from 33.70% to 37.10%.

Particulars of Major Properties

For the year ended 31 December 2003

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	2,957	80%	Completed in 2001	N/A
3. Certain residential units at Sinolink Garden, Buxin Road, Luohu District, Shenzhen, Guangdong Province	Residential	10,127	80%	Completed in 2002	N/A
4. Sinolink Garden Dongxiao Road, Taian Road, Luohu District, Shenzhen, Guangdong Province	Residential	18,900	80%	Completed in 2003	N/A
5. Sinolink Garden Phase IV Western District Taining Road, Taibai Road, Buxin Road, Luohu District, Shenzhen, Guangdong Province	Residential/ commercial	161,486	80%	Construction work commence	Mid 2005
6. Sinolink Garden Phase IV Eastern District Taining Road, Taibai Road, Buxin Road, Luohu District, Shenzhen, Guangdong Province	Residential/ commercial	226,231 Site Area (40,786)	80%	Design completed commence	2007
7. Land lot no. 7207-0026 Bin Hai Dao Dao North, Sha He Dong East, Nanshan, Shenzhen, Guangdong Province	Residential	249,300	82%	Construction work commence	2005
8. Land lot no. J402-0092 Huxin Island, Dameisha Shenzhen, Guangdong Province	Resort/ commercial	22,000 Site Area (18,580)	82%	N/A	N/A

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 Taishan Room, Level 5, Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Hong Kong on Tuesday, 25 May, 2004 at 3:00 p.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, 2003;
2. to declare a final dividend for the year ended 31 December 2003;
3. to re-elect directors and to authorise the board of directors to fix their remuneration;
4. to re-appoint auditors and to authorise the board of directors to fix their remuneration; and
5. to consider as special business and, if thought fit, pass the following resolutions as ordinary resolutions and/or special resolution (as the case may be):

ORDINARY RESOLUTIONS

- (A) **"THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant listing of and permission to deal in the Bonus Shares (as hereinafter defined):—
- (a) upon the recommendation of the directors of the Company (the "Directors"), the necessary sum be capitalised from the amount standing to the credit of the share premium account of the Company and the Directors be and are hereby authorised to apply such sum in paying up in full at par sufficient number of shares of HK\$0.10 each in the capital of the Company ("Bonus Shares") to be allotted and distributed, credited as fully paid, to and amongst the shareholders of the Company whose names appear on the register of members of the Company on 25 May 2004 ("Record Date") on the basis of two Bonus Share for every ten existing shares of HK\$0.10 each in the capital of the Company then held by them;
 - (b) the shares to be issued pursuant to this resolution shall, subject to the Memorandum of Association and the Bye-laws of the Company, rank *pari passu* in all respects with the shares of HK\$0.10 each in the capital of the Company in issue on the Record Date, except that they are not entitled to the final dividend proposed to be declared as mentioned in Ordinary Resolution No.2 and will not rank for the bonus issue of shares mentioned in this resolution;
 - (c) no fractional shares shall be allotted and distributed, but shares representing fractional entitlements shall be aggregated and issued to a nominee to be named by the Directors and such shares shall at such time at the nominee thinks fit be sold and the net proceeds shall be retained for the benefit of the Company; and

Notice of Annual General Meeting

- (d) the Directors be and are hereby authorised to do all acts and things as may be necessary and expedient in connection with the allotment and issue of the Bonus Shares, including but not limited to determining the amount to be capitalised out of the share premium account and the number of Bonus Shares to be allotted and distributed in the manner referred to in paragraph (a) of this resolution.”
- (B) **“THAT:–**
 - (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company (the “Directors”) 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;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is 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; and
 - (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.”

Notice of Annual General Meeting

(C) **"THAT:–**

- (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company (the "Directors") 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 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 the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors 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
- (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 is 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 by this resolution; and

Notice of Annual General Meeting

“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).”

- (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. 5(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. 5(B) 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.”
- (E) **“THAT** pursuant to the share option scheme (the “Share Option Scheme”) adopted by the Company on 24 May 2002, approval be and is hereby generally and unconditionally granted for “refreshing” the 10 per cent. limit under the Share Option Scheme provided that (i) the total number of shares of HK\$0.10 each in share capital of the Company which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as “refreshed” hereby shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution; and (ii) options previously granted under the Share Option Scheme and any other share option schemes of the Company (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) shall not be counted for the purpose of calculating the 10 per cent. limit as “refreshed” hereby.”

SPECIAL RESOLUTION

- (F) **“THAT** the existing Bye-laws of the Company be and are hereby amended in the following manner:–
- (i) by inserting the following new definition of “associate” after the definition of “Act” in Bye-law 1:
- | | |
|-------------|---|
| “associate” | the meaning attributed to it in the rules of the Designated Stock Exchange. |
|-------------|---|

Notice of Annual General Meeting

- (ii) by deleting the words "Section 2 of the Securities and Futures (Clearing Houses) Ordinance of Hong Kong" in the definition of "clearing house" in Bye-law 1 and substituting therefor the words "Section 37 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
- (iii) by inserting the words ", save for the use of share premium as expressly permitted by the Act," after the words "issued share capital or" in the second line of Bye-law 6 and by deleting the words "in any manner permitted by law" from the last line of Bye-law 6;
- (iv) by inserting the words ", in respect of any shares that are not fully paid," after the words "held by him and" in Bye-law 43(1)(a);
- (v) by deleting the sentence "There shall be no requirement for the chairman to disclose the voting figures on a poll." from Bye-law 68;
- (vi) by inserting the following new Bye-law 77A immediately after Bye-law 77:

"77A. Where the Company has actual knowledge that any Member is, under the rules of any Designated Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted."
- (vii) by deleting the existing Bye-law 88 in its entirety and substituting the following therefor:

"88. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless there shall have been lodged at the Office or at the head office notice in writing signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice in writing signed by the person to be proposed of his willingness to be elected provided that the minimum length of the period, during which such notices are given, shall be at least seven (7) days. The period for lodgment of the aforesaid notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting."
- (viii) by deleting the words "whereupon the Board resolves to accept such resignation" from Bye-law 89A(1);

Notice of Annual General Meeting

(ix) by deleting the existing Bye-law 103 in its entirety and substituting the following therefor:

"103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving to such Director or his associate(s) any guarantee security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) any contract or arrangement for the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in five (5)% or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of his associate(s) is derived); or

Notice of Annual General Meeting

- (vi) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director or his associate(s) as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates.
- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) owns five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associates, (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.
- (3) Where a company in which a Director and/or his associate(s) holds five (5) per cent. or more is materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall be counted in the quorum but shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board."

Notice of Annual General Meeting

- (x) by inserting the word “or electronic” after the word “facsimile” in the first line of Bye-law 163.”

By Order of the Board
Yu Man To, Gerald
Company Secretary

Hong Kong, 30 April, 2004

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:

Room 2501, 25th Floor, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

Notes:

- (i) Any member entitled to attend and vote at the meeting is entitled to appoint another person at his proxy to attend and vote instead of him. 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, the 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 Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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 any 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.