# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Executive directors**

Mr. Ou Yaping
*(Chairman and Managing Director)*
Mr. Law Sze Lai
Mr. Chen Wei
Mr. Tang Yui Man, Francis

**Independent non-executive directors**

Mr. Liang Xiaoting
Mr. Cheung Wing Yui
Mr. Tsang Yu Chor, Patrick

## COMPANY SECRETARY

Mr. Yim Chun Leung

## 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
Central
Hong Kong

## AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor
Wing On Centre
111 Connaught Road Central
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Central Registration Hong Kong 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

## CONTENT

## FINANCIAL HIGHLIGHTS

| | | |
|---|---|---|
| Turnover | HK$735,043,000 | Up 18.09% |
| Profit attributable to shareholders | HK$66,183,000 | Up 1,399.73% |
| Consolidated net assets | HK$1,254,852,000 | Up 4.64% |
| Net asset value per share | HK$0.83 | Up 4.64% |
| Cash balance | HK$638,231,000 | |
| Cash balance per share | HK$0.42 | |
| Debt-to-equity ratio | 23.96% | |



On behalf of the Board of Directors (the "Board") of Sinolink Worldwide Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to submit to shareholders the Group's interim report.

## BUSINESS REVIEW AND PROSPECTS

### Property Development

For the period under review, the Group's property development business recorded a turnover of approximately HK$140,354,000, representing an increase of 92.34% compared with the corresponding period last year.

While the turnover figure reflects a fair achievement by the Group in property sales during the period, there is still room for improvement.

The turnover was mainly derived from the sale of Sinolink Garden Phase Two. Since the pre-sale permit for Sinolink Garden Phase Three, named Mandarin House was not received until June 2001, the property could only commence sales in late August. The launch of Mandarin House has been well received by the market, and all additional units released in subsequent launches were sold out. Had the Group been more successful in controlling the development process of Mandarin House, its sales could have taken place in the first half of the year and the Group's turnover and profit would have exceeded the amounts now reported.

Learning from the experience, the Group has commenced, ahead of schedule, the planning and design works for Sinolink Garden Phase Four. Tentatively named "山水城", Sinolink Garden Phase Four will comprise a gross floor area of 500,000 square metres, of which 60,000 square metres are earmarked for commercial spaces. The Group plans to develop the commercial spaces and the streets in the vicinity into a major and most distinguished cultural and commercial centre in Shenzhen. The plan has received support from the relevant authorities of the Shenzhen government. Upon completion, this major project is expected to bring a fresh new look to the Donghu district where Sinolink Garden is located. The strong reputation of the Group being a developer of high quality properties will also be further enhanced.

Moreover, I have also reviewed the Group's strategies in property development and financial management. The Group had not fully capitalised on its strong brand name and rich cash resources to swiftly expand in the real estate markets in Shenzhen and other cities beyond, thus missing the opportunities of increasing its land bank and building up a more favourable land portfolio. While the Group's current land bank amounts to 500,000 square metres, which is sufficient for the Group's development of Sinolink Garden Phase Four until 2005, but from a long-term perspective, Shenzhen, Shanghai and Beijing are poised to benefit from the continued growth of the PRC economy, and the opportunities for property development in these cities should have been more vigorously pursued. The Group is now reverting its conservative strategies in property development and financial management by actively looking for acquisitions of prime land lots in Shenzhen, Shanghai and Beijing. These included a land lot with a developable gross floor area of 215,000 square metres in Dameisha, Shenzhen, which the Group recently tendered for. Although the Group lost the tender to the first highest bid, it did not affect the Group's determination to increase its land bank.



Property development is a capital-intensive business. The Group should make better use of its own cash reserves, or to take advantage of its relatively low level of borrowings to arrange financing with banks or financial institutions for property development projects. The Group is also aware that foreign investors, including those strategic investors and investment funds, are showing great aspirations for the property market in the People's Republic of China ("PRC"). With shareholders' interest as a prerequisite, the Group will consider the feasibility of bringing in those investors who are capable of contributing to the Group's property development business to become its new shareholders, or participating in a portfolio of property developments to enhance the Group's capability in undertaking major property projects of substantial sizes.

Furthermore, the Group is actively exploring the feasibility of reorganising its property development flagship, Shenzhen Sinolink Enterprises Co., Ltd. ("Sinolink Enterprises"), into a joint stock company, with a listing for Sinolink Enterprises in a PRC stock market as the ultimate objective. This is essentially the same route taken by the Group, through a separate listing of Panva Gas Holdings Limited ("PANVA") on The Stock Exchange of Hong Kong Limited the ("Stock Exchange"), to spin off its LPG business. The arrangement has several advantages. The separately listed subsidiary can have its own professional management team to make independent decisions and be responsible to its own shareholders, and can also raise funds from the capital market on its own. As for the Group, given that it will continue to maintain a controlling interest of more than 51% in the subsidiary, it will be able to continue sharing the business development and future growth of the subsidiary.

In order to speed up the development pace of the property development arm, the Group has strengthened its management team, including the appointment of Mr. Guo Zhaobin as the General Manager of Sinolink Enterprises. Mr. Guo is highly experienced in the real estate sector and his resourceful knowledge will bring a major contribution to the Group's property development team. The Group firmly believes that its most important asset is its staff. It will continue to recruit professionals and talents, particularly those with strong experience in the international financial markets, and will also further strengthen its staff training.

**Liquefied Petroleum Gas Business ("LPG")**

PANVA, the holding company of the Group's LPG business, has been reporting satisfactory results ever since its formation. Its annual turnover now exceeds RMB1,000 million and it has over one million customers. I believe that PANVA will be able to maintain high growth and expansion in the coming years.

During the period under review, PANVA was successfully listed on the Growth Enterprise Market of the Stock Exchange on 20 April 2001 (stock code: 8132). The capital market responded favourably to the listing, as reflected by the share price performance of PANVA. The Group through the spin-off of PANVA recorded a gain of HK$44,183,000. As the Group still maintains a controlling interest of approximately 78% in PANVA, it will be able to continue sharing the business development and future growth of PANVA.

During the first half, PANVA recorded a turnover of HK$518,417,000, an increase of 4.31% from the corresponding period last year. Its gross profit margin was 6.78%, a significant increase compared to 3.47% recorded for the same period last year. The increase in gross profit margin was mainly attributable to the increase in the retail business, which commands a relatively higher gross profit margin than the wholesale operation.

During the period, PANVA made significant efforts to expand its retail business. Sale of LPG in cylinders to retail customers accounted for approximately 19.19% of its turnover, a substantial increase from the comparative figure of approximately 5.79% recorded in the same period last year. The Group expects the profitability of PANVA to continue to grow from the further development of its retail business. Moreover, with a growing market share, PANVA is strengthening its current businesses while laying solid foundations for its future growth.

Apart from expanding its retail business, PANVA also spent efforts during the period to develop other businesses with good potential. I believe that PANVA is now entering a period of high growth. With high quality assets generating stable income, a professional and experienced management team, a renowned reputation and a respected brand name, plus the aggressive measures to develop the piped gas business, the auto-LPG business, the filling stations business and the industrial LPG business, PANVA should be able to enjoy higher returns than its trade counterparts. It is also encouraging that PANVA is in a strong cash position, with the trade receivables accounting for only a small portion of its substantial cash revenue, and a bad debt level that is virtually negligible. This healthy balance sheet will be highly beneficial to PANVA's future development.



Equipped with a proficient management team and a strong track record, PANVA will seek strategic co-operations with reputable domestic and foreign enterprises to strengthen its corporate standing and market competitiveness. It will continue to focus on the enhancement of its LPG operations, including infrastructure development, sale and distribution, transportation and storage, and related services. It will also directly or indirectly participate in acquisitions and mergers to swiftly expand its market share. I firmly believe that with the continuous rise in the living standards in the PRC, and the PRC government's commitment to environmental protection and the use of green energy sources, the PANVA management team will be able to capitalise on PANVA's competitive advantages to achieve better results.

## Electricity Generation

During the period, the Group's subsidiary Shenzhen Fuhuade Electric Power Co., Ltd. ("Fuhuade") completed the revamp and regular overhaul of its second generating unit and resumed normal production. Turnover of Fuhuade for the period amounted to approximately HK$66,391,000, representing an increase of 48.97% compared with the same period last year.

In May 2001, the relevant authorities of the Shenzhen government granted formal approval to Fuhuade for Fuhuade's technological reform programme, under which Fuhuade will "replace the small generating units with large ones". Fuhuade has carefully reviewed the demand for electricity in Guangdong province in the next five years and the cost benefits from expanding its capacity, before it decided on the programme for the purchase of new generators to double its current capacity and increase its production efficiency. Having received the approval, Fuhuade is now sorting out the details on the purchase of a new generating unit that can also use natural gas fuel. The fuel will be available from a natural gas terminal, a major one in Guangdong province, to be situated about 10 kilometres to Dapeng Power Plant that is operated by Fuhuade. Upon completion of the terminal, Fuhuade will switch to natural gas fuel to further reduce its production costs and increase the profit margins.

The Company had signed an agreement back in April 2001 to dispose of its interest in Fuhuade to a third party buyer (the "Buyer"), and had received a deposit of RMB10,000,000 from the Buyer. Other arrangements will now be made in light of the above development. As the deposit was received after the end of the last financial year, it had not been accounted for in the Group's 2000 consolidated income statement, nor would any new arrangement have any negative effects on the Group's consolidated profit for both 2000 and 2001.

### Conclusion

The conservative business development and financial management strategies adopted in the past have hindered the Group's efforts in grasping the opportunities for fast growth. I would say the Group's performance in the past had mixed results and left considerable room for improvement. Notwithstanding the significant growth in the Group's results for the period under review, such results could have been even better. Looking forward, the Group will take active measures to speed up the development of its three principal businesses, all of which have strong roots in their respective fields. As mentioned above, the Group will also consider, with shareholders' interest as a prerequisite, the feasibility of bringing in those investors who are beneficial to the development of the Group's principal businesses to become its new shareholders.

I noted that the Company's share price performance had lagged behind the overall performance of the Hong Kong stock market during the period under review, and its discount to net asset value was higher than many others in the same industry. As a way to thank shareholders for their support, the Group has proposed a "Property Purchase Reward Scheme" exclusive for shareholders of the Company (the "Shareholders"), details of which are contained in a letter to Shareholders. Moreover, the Board has also declared an interim dividend of HK3 cents per share and proposed a bonus issue of 1 bonus share for 10 existing shares held. In future, the Group will place stronger emphasis on returns to Shareholders. It is hoped that Shareholders will find the returns satisfactory and rewarding.

## FINANCIAL POSITION

The Group's total borrowings increased slightly from approximately HK$284,276,000 as at 31 December 2000 to approximately HK$300,646,000 as at 30 June 2001. The proportion of borrowings due within one year to total borrowings also increased from approximately 80.6% to approximately 81.6% and a long term liabilities to equity ratio of approximately 4.4%. Borrowings are mainly used to finance the property development projects of the Group and are all borrowed at fixed interest rates.

Total assets pledged in securing these loans have a net book value of approximately $240,160,000 as at 30 June 2001. Bank borrowings of the Group are denominated in RMB and as the entire operation of the Group is carried out in the PRC, all receipts and payments in relation to operation is denominated in RMB. In this respect the Group is not exposed to any foreign exchange exposure risk. No financial instruments were used for hedging purpose.

The Group's cash and cash equivalents amounted to approximately $638,231,000 as at 30 June 2001 are mostly denominated in RMB, Hong Kong dollars and US dollars.

## EMPLOYEES AND REMUNERATION POLICIES

There were no material changes to the Group's employees and remuneration policies from that disclosed in the annual report of the Company for the year ended 31 December 2000.



## POST BALANCE SHEET DATE EVENTS

Subsequent to 30 June 2001, investment amounted to approximately HK$1.2 million was sold to an independent third party for a total consideration of approximately RMB1.3 million (equivalent to approximately HK$1.2 million).

On 1 July 2001, the Group through Pan River Gas (China Southwest) Co. Ltd, a subsidiary of the Company, entered into a joint venture agreement with two independent third parties to set up a sino-foreign equity joint venture in Kunming, Yunnan Provinces in the PRC, Panva Gas (Yunnan) Co., Ltd. to carry on the business of selling and distribution of LPG and LPG related products including sale of LPG in bulk and in cylinders, the provision of piped gas, and the sale of LPG household appliances and the provision of piped gas construction services. The capital contribution of the Group is RMB33.5 million (equivalent to approximately HK$31.3 million) which is equivalent to 56.94% of the registered capital of Panva Gas (Yunnan) Co. Ltd.

## INTERIM DIVIDENDS

On 12 April 2001, the Company distributed a special interim dividend satisfied by way of transfer of 15,200,000 shares of PANVA in the proportion of approximately 20 shares of PANVA for every 2,000 shares of the Company held.

The Board has resolved to declare an interim dividend of HK$0.03 per share (2000: Nil) in respect of the six months ended 30 June 2001. The interim dividend is payable on or before 1 November 2001 to Shareholders whose names appear on the register of members of the Company on 26 October 2001.

## PROPOSED BONUS ISSUE OF SHARES

The Board proposes a bonus issue of shares ("Bonus Share") of HK$0.01 each, credited as fully paid by way of capitalisation of part of the Company's share premium account, on the basis of one Bonus Share for every ten existing shares held by the Shareholders, conditional on Shareholders' approval at a special general meeting, the Listing Committee of the Stock Exchange granting or agreeing to grant listing of and permission to deal in the Bonus Shares and the approval of the Bermuda Monetary Authority if required.

A circular to the Shareholders setting out the details of the proposed bonus issue of shares and the notice of the special general meeting will be issued to the Shareholders in due course.

## CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 23 October 2001 to 26 October 2001, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed interim dividend, all completed transfer forms with share certificates must be lodged with the Company's Hong Kong Registrar and Transfer Office, Central Registration Hong Kong Limited, Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Monday, 22 October 2001.

## DISCLOSURE OF INTERESTS

### Directors' interests

As at 30 June 2001, the interests of the directors and chief executive in the securities of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

**(i) Interests in Shares**

| Name of Company | Name of Director | Nature of interests | Number of shares held |
|---|---|---|---|
| Sinolink Worldwide Holdings Limited | Ou Yaping | Corporate *(a)* | 1,006,800,000 ordinary shares |

*Note:*

(a) These shares were held by Asia Pacific Promotion Limited, a company incorporated in the British Virgin Islands, which is legally and beneficially owned by Mr. Ou Yaping.

**(ii) Interests in Subsidiary**

| Name of Company | Name of Director | Nature of interests | Number of shares held |
|---|---|---|---|
| Sinolink Electric Power Company Limited | Ou Yaping | Personal | 90,000 non-voting deferred shares |

**(iii) Interests in associated corporation (within the meaning of the SDI Ordinance) of the Company**

| Name of interested party | Name of associated corporation | Nature of interest | Percentage of equity interest in associated corporation |
|---|---|---|---|
| Mr. Ou Yaping and his associates | Shenzhen Xiangdu F.& E. Co., Ltd. | Corporate | 55% |

### (iv) Interests in Convertible Note

As at 30 June 2001, Mr. Ou Yaping held convertible notes amounting to HK$55,183,411. Such convertible notes can be converted into 122,629,000 shares of the Company on or before 11 February 2002 at an initial conversion price of HK$0.45 per share.

### (v) Interests in Share Options

As at 30 June 2001, under the Company's share options scheme adopted on 11 May 1998, options to subscribe for shares in the Company have been granted to the following directors:

| Name of Director | Date granted | Exercise period | Subscription price per shares *HK$* | Number of share options held |
|---|---|---|---|---|
| Law Sze Lai | 29.06.1998 | 06.01.1999 to 05.01.2002 | 0.60 | 10,000,000 |
| | 29.06.1998 | 06.07.1999 to 05.01.2002 | 0.70 | 10,000,000 |
| | 01.03.1999 | 03.09.1999 to 03.09.2002 | 0.45 | 3,000,000 |
| | 01.03.1999 | 03.03.2000 to 03.09.2002 | 0.45 | 3,000,000 |
| | 01.03.1999 | 03.09.2001 to 03.09.2002 | 0.45 | 2,000,000 |
| Chen Wei | 29.06.1998 | 06.01.1999 to 05.01.2002 | 0.60 | 10,000,000 |
| | 29.06.1998 | 06.07.1999 to 05.01.2002 | 0.70 | 10,000,000 |
| | 01.03.1999 | 03.09.1999 to 03.09.2002 | 0.45 | 3,000,000 |
| | 01.03.1999 | 03.03.2000 to 03.09.2002 | 0.45 | 3,000,000 |
| | 01.03.1999 | 03.09.2001 to 03.09.2002 | 0.45 | 2,000,000 |

None of the directors had exercised any share options to subscribe for shares in the Company during the six months ended 30 June 2001.

Save as disclosed above, as at 30 June 2001, none of the directors and chief executives, nor their spouses or children under the age of 18, had any right to subscribe for the shares of the Company, or had exercised any such right during the period and at no time during the period was the Company, or its 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.

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

**Substantial Shareholders' Interests**

As at 30 June 2001, the following shareholder was interested in 10% or more of the issued share capital of the Company as recorded in the register maintained under Section 16(1) of the Securities (Disclosure of Interests) Ordinance:

| Name of Shareholder | Number of shares | Approximate percentage of equity interests |
|---|---|---|
| Asia Pacific Promotion Limited | 1,006,800,000 | 66.2% |



*Note:* Asia Pacific Promotion Limited was incorporated in the British Virgin Islands, which is legally and beneficially owned by Mr. Ou Yaping.

Save as disclosed above, the Company has not been notified of any other interests held by any party representing 10% or more of the issued share capital of the Company.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2001.

## 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 2 members comprising 2 independent non-executive directors, Mr. Cheung Wing Yui and Mr. Tsang Yu Chor, Patrick.

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.

## CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicates that the Company is not, or was not at any time during the period, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the non-executive directors are not appointed for specific terms, but are subject to retirement by rotation and re-election at annual general meeting in accordance with the Company's Bye-laws.

By Order of the Board
**Ou Yaping**
*Chairman*



Hong Kong, 18 September 2001

*Website: http://www.irasia.com/listco/hk/sinolink*

## CONDENSED CONSOLIDATED INCOME STATEMENT
**FOR THE SIX MONTHS ENDED 30 JUNE 2001**

| | Notes | Six months ended 30.6.2001 HK$'000 (unaudited) | Six months ended 30.6.2000 HK$'000 (unaudited) |
|---|---|---|---|
| Turnover | 3 | **735,043** | 622,437 |
| Cost of sales | | **(644,841)** | (577,973) |
| Gross profit | | **90,202** | 44,464 |
| Other revenue | | **1,492** | 2,039 |
| Distribution costs | | **(16,052)** | (6,594) |
| Administrative expenses | | **(43,539)** | (43,547) |
| Other operating expenses | | **(3,651)** | (514) |
| Profit (loss) from operations | | **28,452** | (4,152) |
| Interest income | | **12,799** | 12,393 |
| Finance costs | | **(3,290)** | (711) |
| Gain on disposal of subsidiaries | 5 | **44,466** | — |
| Share of results of associates | | **(263)** | (257) |
| Profit before taxation | | **82,164** | 7,273 |
| Taxation | 6 | **(4,335)** | (2,107) |
| Profit before minority interests | | **77,829** | 5,166 |
| Minority interests | | **(11,646)** | (753) |
| Profit attributable to shareholders | | **66,183** | 4,413 |
| Dividends | 7 | **(15,039)** | — |
| Profit for the period, retained | | **51,144** | 4,413 |
| Earnings per share | 9 | | |
| Basic | | **HK4.4 cents** | HK0.3 cents |
| Diluted | | **HK4.1 cents** | N/A |
| | | ***HK$'000*** | *HK$'000* |
| Interim dividend declared of HK3 cents per share | 7 | **45,600** | — |

## CONDENSED CONSOLIDATED BALANCE SHEET
**AT 30 JUNE 2001**

| | *Notes* | **30.6.2001** **HK$'000** **(unaudited)** | 31.12.2000 HK$'000 (audited) |
|---|---|---|---|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | *10* | **384,307** | 384,502 |
| Goodwill | | **8,403** | — |
| Interest in associates | | **8,543** | 9,341 |
| Investment securities | | **24,337** | 1,124 |
| Loan receivable | *11* | **2,943** | 5,982 |
| | | **428,533** | 400,949 |
| Current assets | | | |
| Stock of properties | | **939,246** | 792,201 |
| Inventories | | **36,154** | 24,395 |
| Trade and other receivables | *11* | **233,717** | 313,649 |
| Other investment | | **436** | 1,324 |
| Bank balances and cash | | **638,231** | 656,074 |
| | | **1,847,784** | 1,787,643 |
| Current liabilities | | | |
| Trade and other payables | *12* | **346,102** | 329,452 |
| Tax liabilities | | **30,300** | 36,334 |
| Amounts due to minority shareholders | | **36,731** | 56,485 |
| Borrowings | | **245,463** | 229,093 |
| | | **658,596** | 651,364 |
| Net current assets | | **1,189,188** | 1,136,279 |
| Total assets less current liabilities | | **1,617,721** | 1,537,228 |
| Non-current liabilities | | | |
| Borrowings | *13* | **(55,183)** | (55,183) |
| | | **1,562,538** | 1,482,045 |
| Minority interests | | **(307,686)** | (282,857) |
| NET ASSETS | | **1,254,852** | 1,199,188 |
| CAPITAL AND RESERVES | | | |
| Share capital | *14* | **152,000** | 152,000 |
| Reserves | *15* | **1,102,852** | 1,047,188 |
| SHAREHOLDERS' FUNDS | | **1,254,852** | 1,199,188 |

## CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

**FOR THE SIX MONTHS ENDED 30 JUNE 2001**

| | Six months ended 30.6.2001 *HK$'000* *(unaudited)* |
|---|---|
| Exchange differences arising on translation of overseas operations | (2) |
| Surplus arising on revaluation of land and buildings no recognised in the condensed income statement | 4,974 |
| Net gains not recognised in the condensed consolidated income statement | 4,972 |
| Net profit for the period | 66,183 |
| Total recognised gains | 71,155 |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT
### FOR THE SIX MONTHS ENDED 30 JUNE 2001

| | Six months ended 30.6.2001 *HK$'000* *(unaudited)* |
|---|---|
| Net cash outflow from operating activities | (4,845) |
| Net cash outflow from returns on investments and servicing of finance | (3,025) |
| Net cash outflow from taxation | (10,111) |
| Net cash inflow from investing activities | 3,524 |
| Net cash outflow before financing | (14,457) |
| Net cash outflow from financing | (3,384) |
| Decrease in cash and cash equivalents | (17,841) |
| Cash and bank balances at beginning of the period | 656,074 |
| Effect of foreign exchange rate changes | (2) |
| Cash and bank balances at end of the period | 638,231 |

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS
## FOR THE SIX MONTHS ENDED 30 JUNE 2001

### 1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with the Statement of Standard Accounting Practice No. 25 ("SSAP 25") "Interim financial reporting" issued by the Hong Kong Society of Accountants, except that, in this first year of implementation of the Standard, as permitted by the Listing Rules, no comparative amounts have been presented for either the statement of recognised gains and losses or the condensed cash flow statement.

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under historical cost convention, as modified for the revaluation of property, plant and equipment.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2000, except as described below.

In the current period, the Group has adopted, for the first time, SSAP 9 (Revised) "Events After Balance Sheet Date" and SSAP 30 "Business Combination" issued by the Hong Kong Society of Accountants which has resulted in the adoption of the following revised accounting policies. The adoption of these new and revised SSAPs have no material effect on the financial statements for the current or prior periods.

**Dividends proposed or declared after the balance sheet date**

In accordance with SSAP 9 (Revised), dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date but are disclosed as a separate component of equity in the notes to the financial statements.

**Goodwill**

In the current period, the Group has adopted SSAP 30 Business Combinations and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1 January 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or joint venture, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1 January 2001 will be credited to income at the time of disposal of the relevant subsidiary, associate or joint venture.

Goodwill arising on acquisitions after 1 January 2001 is capitalised and amortised over its estimated useful life which are over periods ranging between 5 and 20 years. Negative goodwill arising on acquisitions after 1 January 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances for which the balance resulted.

### 3. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit from operations for the six months ended 30 June 2001 is as follows:

| 30.6.2001 | Sale of Completed Properties/ Development Properties HK$'000 | Electricity Supply Operations HK$'000 | Liquefied Petroleum Gas ("LPG") Business HK$'000 | Other Business Activities HK$'000 | Eliminations HK$'000 | Consolidated HK$'000 |
|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | |
| External | 140,354 | 66,391 | 518,417 | 9,881 | — | 735,043 |
| Inter-segment | — | — | — | 5,097 | (5,097) | — |
| Total revenue | 140,354 | 66,391 | 518,417 | 14,978 | (5,097) | 735,043 |
| **SEGMENT RESULT** | 17,596 | 3,097 | 8,937 | 1,967 | — | 31,597 |
| Other revenue | | | | | | 1,492 |
| Unallocated corporate expenses | | | | | | (4,637) |
| Profit from operations | | | | | | 28,452 |
| 30.6.2000 | | | | | | |
| **REVENUE** | | | | | | |
| External | 72,970 | 44,568 | 496,989 | 7,910 | — | 622,437 |
| Inter-segment | — | — | — | 7,635 | (7,635) | — |
| Total revenue | 72,970 | 44,568 | 496,989 | 15,545 | (7,635) | 622,437 |
| **SEGMENT RESULT** | 15,613 | (8,126) | (1,719) | (10,032) | — | (4,264) |
| Other revenue | | | | | | 2,039 |
| Unallocated corporate expenses | | | | | | (1,927) |
| Loss from operations | | | | | | (4,152) |

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

Profit (loss) from operations for the period ended 30 June 2000 has been restated to exclude interest income of HK$12,393,000 on bank deposits, reclassified as interest income to give a better presentation of the financial statements.

The Group's turnover and profit from operations are substantially derived from the PRC.

**4. DEPRECIATION AND AMORTISATION**

During the period, depreciation of HK$19,531,000 (2000: HK$17,898,000) was charged in respect of the Group's property, plant and equipment and amortization of HK$215,460 (2000: Nil) was charged in respect of the Group's goodwill.

**5. GAIN ON DISPOSAL OF SUBSIDIARIES**

| | Six months ended | |
|---|---|---|
| | **30.6.2001** | 30.6.200 |
| | ***HK$'000*** | *HK$'000* |
| Gain on partial disposal of interest in a subsidiary | **44,183** | — |
| Gain on disposal of a subsidiary | **283** | — |
| | **44,466** | — |



Gain on partial disposal of interest in a subsidiary represented gain arising on the spin-off of Panva Gas Holdings Limited on the Growth Enterprise Market of the Stock Exchange during the period.

**6. TAXATION**

| | Six months ended | |
|---|---|---|
| | **30.6.2001** | 30.6.200 |
| | ***HK$'000*** | *HK$'000* |
| The charge comprises: | | |
| Profit for the period | | |
| PRC, excluding Hong Kong | **4,335** | 2,107 |

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

Pursuant to relevant laws and regulations in the People's Republic of China (the "PRC"), certain of the Group's PRC subsidiaries established in the PRC are exempted from paying income tax for the first two years starting from their first profitable year of operation, followed by a 50 per cent. reduction from the third to fifth year. Provision for PRC income tax is provided for with reference to the applicable tax rates on the estimated assessable profits of those subsidiaries for the period.

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

## 7. DIVIDENDS

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

The directors have resolved to declare an interim dividend of HK$0.03 per share (2000: Nil) in respect of the six months ended 30 June 2001. The interim dividend is payable on or before 1 November 2001 to shareholders whose name appear on the register of the Company on 26 October 2001.

## 8. PROPOSED BONUS ISSUE OF SHARES

The Board proposes a bonus issue of shares ("Bonus Share") of HK$0.10 each, credited as fully paid by way of capitalisation of part of the Company's share premium account, on the basis of one Bonus Share for every ten existing shares held by the shareholders of the Company (the "Shareholders"), conditional on Shareholders' approval at a special general meeting, the Listing Committee of the Stock Exchange granting or agreeing to grant listing of and permission to deal in the Bonus Shares and the approval of the Bermuda Monetary Authority if required.



A circular to the Shareholders setting out the details of the proposed bonus issue of shares and the notice of the special general meeting will be issued to the Shareholders in due course.

## 9. EARNINGS PER SHARE

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

| | Six months ended | |
|---|---|---|
| | **30.6.2001** | 30.6.200 |
| | ***HK$'000*** | *HK$'000* |
| Earnings for the purposes of basic earnings per share | **66,183** | 4,413 |
| Effect of dilutive potential shares: Interest on convertible note | **1,368** | |
| Earnings for the purposes of diluted earnings per share | **67,551** | |
| Weighted average number of shares for the purposes of basic earnings per share | **1,520,000,000** | 1,520,000,000 |
| Effect of dilutive potential ordinary shares: Convertible note | **122,629,000** | |
| Weighted average number of shares for the purposes of diluted earnings per share | **1,642,629,000** | |

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for the Company's shares for 2001.

Diluted earnings per shares for prior period has not been stated because the exercise of the outstanding share options and convertible notes of the Company would not have a diluting effect to the earnings per share.

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

| | **Property, plant and equipment** *HK$'000* |
|---|---|
| COST OR VALUATION | |
| At 1 January 2001 | 500,661 |
| Additions | 15,538 |
| Revaluation | 4,022 |
| Disposal of a subsidiary | (1,822) |
| Disposals | (790) |
| At 30 June 2001 | 517,609 |
| DEPRECIATION | |
| At 1 January 2001 | 116,159 |
| Provided for the year | 19,531 |
| Written back on revaluation | (1,615) |
| Disposal of a subsidiary | (267) |
| Eliminated on disposals | (506) |
| At 30 June 2001 | 133,302 |
| NET BOOK VALUE | |
| At 30 June 2001 | 384,307 |



## 11. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period ranging from 0 to 180 days to its customers. Included in trade and other receivables are trade receivables totalling HK$147,836,000 (2000: HK$258,644,000), the aged analysis of which is as follows:

| | **30.6.2001** ***HK$'000*** | 31.12.2000 *HK$'000* |
|---|---|---|
| Aged: | | |
| 0 to 90 days | **74,291** | 77,535 |
| 91 to 180 days | **53,029** | 1,608 |
| 181 to 360 days | **9,817** | 9,071 |
| Over 360 days | **10,699** | 170,430 |
| | **147,836** | 258,644 |
| Less: Non-current portion | **(2,943)** | (5,982) |
| | **144,893** | 252,662 |

## 12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$196,540,000 (2000: HK$214,616,000), the aged analysis of which is as follows:

| | **30.6.2001** | 31.12.2000 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Aged: | | |
| 0 to 90 days | **72,394** | 205,046 |
| 91 to 180 days | **1,703** | — |
| 181 to 360 days | **115,089** | 948 |
| Over 360 days | **7,354** | 8,622 |
| | **196,540** | 214,616 |

## 13. BORROWINGS



| | **30.6.2001** | 31.12.2000 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank loans (secured) | **245,463** | 229,093 |
| Convertible note | **55,183** | 55,183 |
| | **300,646** | 284,276 |

The maturity of the above loans is as follows:

| | | |
|---|---|---|
| On demand or within one year | **245,463** | 229,093 |
| More than two years but not exceeding five years | **55,183** | 55,183 |
| | **300,646** | 284,276 |
| Less: Amount due within one year shown under current liabilities | **(245,463)** | (229,093) |
| Non-current portion | **55,183** | 55,183 |

The convertible loan note was issued on 12 February 1999. The note is convertible into shares of the Company from the date of issue up to the third anniversary of the date of issuance. The outstanding unconverted principal amount of the note will be redeemed on 11 February 2002 at par. Interest of 5% is paid quarterly.

## 14. SHARE CAPITAL

| | **30.6.2001** | 31.12.2000 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Shares of HK$0.1 each | | |
| Authorised: | | |
| 2,000,000,000 shares of HK$0.10 each | **200,000** | 200,000 |
| Issued and fully paid: | | |
| 1,520,000,000 shares of HK$0.10 each | **152,000** | 152,000 |

## 15. RESERVES

| | Share premium account | Asset revaluation reserve | Translation reserve | Goodwill reserve | General reserve | Capital reserve | Contributed surplus | Dividend reserve | Retained profits | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **THE GROUP** | | | | | | | | | | |
| At 1 January 2000 | 293,853 | — | (5,763) | (5,985) | 46,289 | — | 368,262 | — | 329,481 | 1,026,137 |
| Exchange rate adjustment | — | — | 21 | — | — | — | — | — | — | 21 |
| Transfer from profit and loss account | — | — | — | — | 5,493 | — | — | — | (5,493) | — |
| Profit for the year | — | — | — | — | — | — | — | — | 21,030 | 21,030 |
| At 31 December 2000 | 293,853 | — | (5,742) | (5,985) | 51,782 | — | 368,262 | — | 345,018 | 1,047,188 |
| Exchange rate adjustment | — | — | (2) | — | — | — | — | — | — | (2) |
| Disposal of a subsidiary | — | (1,096) | 23 | 65 | (176) | (207) | — | — | — | (1,391) |
| Revaluation of land and buildings | — | 4,974 | — | — | — | — | — | — | — | 4,974 |
| Contribution from a minority shareholder | — | — | — | — | — | 939 | — | — | — | 939 |
| Profit for the period | — | — | — | — | — | — | — | — | 66,183 | 66,183 |
| Dividends | — | — | — | — | — | — | — | — | (15,039) | (15,039) |
| Transfer to dividend reserve | — | — | — | — | — | — | — | 45,600 | (45,600) | — |
| At 30 June 2001 | 293,853 | 3,878 | (5,721) | (5,920) | 51,606 | 732 | 368,262 | 45,600 | 350,562 | 1,102,852 |

## 16. RELATED PARTY TRANSACTIONS

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

| | Six months ended | |
|---|---|---|
| | **30.6.2001** | 30.6.2000 |
| | ***HK$'000*** | *HK$'000* |
| Skillful Assets Limited *(Note a & b)* | | |
| — Rental paid thereto *(Note c)* | **600** | 600 |
| Mr. Ou Yaping *(Note a)* | | |
| — Interest paid thereto | **—** | 40 |
| — Convertible note interest paid thereto *(Note d)* | **1,368** | 1,375 |
| Shenzhen Xiangdu F. & E. Co., Ltd. *(Note a)* | | |
| — Rental received therefrom *(Note c)* | **337** | 337 |



*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.

## 17. CONTINGENT LIABILITIES

| | **30.6.2001** | 31.12.2000 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Guarantees given to banks as security for the mortgage loans arranged for the purchasers of the Group's properties | **157,600** | 175,046 |

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



## 18. CAPITAL COMMITMENTS

| | **30.6.2001** | 31.12.2000 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Commitments in respect of properties under development: | | |
| — authorised but not contracted for | **554,534** | 910,006 |
| — contracted but not provided for | **230,359** | 16,084 |
| | **784,893** | 926,090 |

## 19. 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$240,160,000 (as at 31 December 2000: HK$240,160,000) to secure general banking facilities granted to a subsidiary of the Company.

In addition, the Group has pledged property, plant and equipment having a net book value amounted to approximately HK$7,223,000 (as at 31 December 2000: HK$8,954,000) to secure bank loans granted to the subsidiaries of the Company.

**20. POST BALANCE SHEET EVENTS**

Subsequent to 30 June 2001, investments amounted to approximately HK$1.2 million was sold to an independent third party for a total consideration of approximately RMB1.3 million (equivalent to approximately HK$1.2 million).

On 1 July 2001, the Group through Pan River Gas (China Southwest) Co. Ltd., a subsidiary of the Company, entered into a joint venture agreement with two independent third parties to set up a sino-foreign equity joint venture in Kunming, Yunnan Province in the PRC, Panva Gas (Yunnan) Co., Ltd. to carry on the business of selling and distributing of LPG and LPG related products including the sale of LPG in bulk and in cylinders, the provision of piped gas, the sale of LPG household appliances and the provision of piped gas construction services. The capital contribution of the Group is RMB33.5 million (equivalent to approximately HK$31.3 million) which is equivalent to 56.94% of the registered capital of Panva Gas (Yunnan) Co. Ltd.

**21. DISPOSAL OF A SUBSIDIARY**



On 12 June 2001, the Group ceased to have control over one of its LPG operating subsidiary, Wuhu Pan River Sanpeng LPG Co., Ltd.

The effect of the disposal is summarised as follows:

| | *HK$'000* |
|---|---|
| Net assets disposed | 217 |
| Gain on disposal | 283 |
| Total consideration | 500 |
| Satisfied by: | |
| Investment cost written off | 500 |
| Net cash outflow arising on disposal: | |
| Bank balances and cash disposed of | (34) |

The above transactions did not make any significant contribution to the results of the Group during the interim period.