

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

COMPANY SECRETARY

Mr. Tang Yui Man, Francis

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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<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 Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services
Limited
19th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISERS

(As to Hong Kong Law)
Woo, Kwan, Lee & Lo
Tsang, Chan & Wong

(As to Bermuda Law)
Conyers Dill & Pearman

(As to the PRC Law)
Haiwen & Partners

PRINCIPAL BANKERS

Bank of China, Hong Kong Branch
Bank of China, Shenzhen Branch
Nanyang Commercial Bank, Shenzhen Branch
China Construction Bank, Luohu Branch,
Shenzhen
China Merchants Bank,
Dongmen Sub-branch, Shenzhen

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FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2002

- Group Turnover down 6.65 % to HK\$686.2 million
- Profit attributable to shareholders up 129.06% to HK\$151.6 million
- Earnings Per Share up 113.89% to HK8.47 cents
- Proposed Interim dividend of HK\$0.03 per share

I am pleased to announce that Sinolink Worldwide Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) recorded remarkable results for the six months ended 30 June 2002.

MARKET ENVIRONMENT

During the first half of 2002, the government of the People’s Republic of China (“PRC”) continued to adopt active fiscal policies and solid monetary measures to increase domestic demand and expand foreign trade. Moreover, strong efforts were spent on the structural readjustment of investment spending, the efficiency enhancement of state-owned enterprises, and the introduction of new regulations for the orderly development of the market economy. These measures and efforts have brought remarkable results, with the PRC economy moving on the right track towards a more promising future.

Compared with the same period last year, the PRC’s gross domestic product grew by 7.6% in the first half of 2002. Fixed asset investment grew strongly by 21.5% to RMB1,446.2 billion, a growth rate that is 6.4% points higher than the previous comparison figure. As at 30 June 2002, aggregate bank savings of urban and rural residents in the PRC amounted to RMB8,171.2 billion, representing an increase of RMB803.4 billion over the corresponding figure recorded on 1 January 2002.

In Shenzhen, the gross domestic product grew by 13.5% to RMB94.021 billion. The rapid growth in real estate investment provided a major driving force for the substantial increase in fixed asset investment.

In terms of market supply, close to 4 million square metres of property units were launched in the Shenzhen real estate market during the first half of 2002. Not only was strong demand sustained in the residential segment, but a positive change also took place in the commercial and office sectors. Prompted by the positive significance of the PRC’s entry to the World Trade Organisation, the commercial and office sectors being subdued for years started to recover in the second half of 2001, with favourable results recorded in a number of sale launches. The continuous emergence of new hot spots in the marketplace is a clear indication that the property developers are highly confident about the prospects of the Shenzhen real estate market.

There was not much new supply of land in Shenzhen during the first half of 2002. Residential land lots tendered out by the government were all sold above their minimum benchmarks. A review of the auctions showed that while local major property developers were keen to increase their land bank, developers from Hong Kong also displayed strong attention, which reflected the underlying optimism towards the Shenzhen real estate market. It is expected that more land will be put forward for tender during the second half of 2002.

The second half may also see a continuous rise in housing demand from Shenzhen residents along with the city's strong economic growth. This coupled with the no less enthusiasm of Hong Kong people for home purchase in Shenzhen and the abundant funds in the PRC seeking investment opportunities, will make real estate investment in Shenzhen a highly preferable choice as well as keeping the property prices herein firm and stable.

The Shenzhen government is expected to issue a new series of regulations to govern the real estate market in the second half of 2002. Those developers unable to comply with the regulations or without a strong capital base are facing the bleak prospects of losing out. This will provide broader room of development for reputable developers.

With the strong emphasis placed by the PRC government on the "West to East Gas Pipelines Project" and the rapid growth of the PRC natural gas market, investment and development of city gas is now a hot topic in the PRC. This will be highly favourable to the future prospects of Panva Gas Holdings Limited ("Panva Gas").

At present, the penetration rate of city gas supply in the PRC mainland cities is still low. With accelerating urbanisation in the PRC, demand for gas from the PRC urban households will be substantial. Moreover, the PRC government is spending great efforts to encourage and promote the use of natural gas, which contributes to the emerging market for down-stream natural gas consumption. As Panva Gas supplies both natural gas and LP Gas (collectively "Gas Fuel") in a variety of ways including the supply in cylinders and through pipelines, Panva Gas will continue to enjoy a strong position regardless of the changes in the market. With a growing market share and an expanding end-user customer base, Panva Gas will be able to achieve higher returns by further capitalising on its strong assets that include a seasoned management team, sophisticated technology and an established brand name. Panva Gas will continue to adopt a market development model that emphasises low risk and high growth in order to generate higher returns.

SIGNIFICANT EVENTS

During the period, the Group recorded a strong growth in operating profit as well as the following significant achievements:

Hutchison investing in Panva Gas

On 14 May 2002, Hutchison Whampoa Limited ("Hutchison"), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), acquired a 6.4% interest in Panva Gas and conditionally agreed to subscribe for an exchangeable note to be issued by the Company that can be converted into a 6.4% interest in Panva Gas. The transaction reflected Hutchison's optimism about the enormous potential of the Gas Fuel sales market in the PRC and represented an endorsement of the value of Panva Gas, the Group's important asset. Moreover, with the participation of Hutchison, Panva Gas is in a stronger position to accelerate its investment and development of gas projects in the PRC.

For the six months ended 30 June 2002, Panva Gas achieved an exceptional performance. Its profit attributable to shareholders increased significantly to approximately HK\$60,940,000 representing an increase of approximately 10.9 times from that of the corresponding period last year.

Further increase in the Group's land bank

During the period, the Group won a public tender for a land lot in Dameisha, Shenzhen (深圳大梅沙), one of the prime holiday resort zones in the PRC, for a consideration of approximately RMB50,168,000. The land has a site area of approximately 18,598 square metres and a constructible area of approximately 22,000 square metres. The project is currently in the planning stage but is expected to include a high-class resort hotel with approximately 130 rooms and a 7,000 square metres shopping mall.

Acquisition of SilverNet

During the period, the Group acquired from Silver Grant International Industries Limited ("Silver Grant") a 29.99% interest in SilverNet Group Limited ("SilverNet"), a company listed on the Stock Exchange for a consideration of approximately HK\$163 million. Under the agreement, the Group paid HK\$81 million in cash with the balance of the consideration to be satisfied by the issue of a 2-year convertible note. In addition, SilverNet acquired 70% interest in Shenzhen Fuhuade Electric Power Co., Ltd ("Fuhuade") from the Group for a consideration of HK\$360.4 million, of which HK\$163.4 million satisfied by cash and the balance treated as secured loans to be repaid in instalments.

Through these arrangements, the Group became the single largest shareholder of SilverNet while attained a more clearly defined corporate structure, with the Company focusing on property development and investment holding, SilverNet focusing on electricity supply, and Panva Gas focusing on the Gas Fuel business. This not only will benefit the operations and capital employment of the Group's businesses but will also maximise the Group's shareholder value.

PROSPECTS

With the Group's active investment and financial management measures and its gradual transformation from a real estate company to a consolidated investment holdings company, it can be envisaged that the Group will continue to expand through mergers and acquisitions of related businesses in order to generate high returns for shareholders.

The management and I firmly believe that the Group will be able to seize the opportunities arising from the expected continuous growth of the PRC economy by making the best endeavours to develop the PRC market.

APPRECIATION

Last but not least, I would like to thank all our staff for their professionalism as well as valuable services and contributions to the Group. I would also like to once again express my gratitude to our investors for their strong support.

By Order of the Board
Ou Yaping
Chairman

Hong Kong, 18 September 2002

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

For the six months ended 30 June 2002, the Group recorded a turnover of approximately HK\$686,193,000, representing a slight decrease of approximately 6.65% compared to the corresponding period in 2001. Gross profit increased to approximately HK\$178,049,000 for the six months ended 30 June 2002, a substantial increase of approximately 97.39% when compared to the corresponding period 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 in market share in the retail sector. Profit attributable to shareholders increased significantly to HK\$151,600,000 representing an increase of approximately 129.06% from the corresponding period last year.

Property Development

The Group recorded a turnover of approximately HK\$134,539,000 for the property development business during the six months ended 30 June 2002, which is approximately the same as that recorded for the corresponding period last year. The turnover was mainly derived from the sale of Sinolink Garden Phase Three, Mandarin House, which is currently in its final stages of construction and the occupation permit is expected to be obtained in November this year.

During the period, the Group has commenced the construction of Sinolink No.8 (百仕達8號), a property development situated within the grounds of Sinolink Garden. Sinolink No. 8 is a 230 unit development covering a total gross floor area ("GFA") of 33,300 square metres and a 2,500 square metres commercial development. As at 30 June 2002, the foundation of Sinolink No. 8 has been completed and the first 26 storey are expected to be completed by the end of the year. The property is expected to commence sales before the end of this year.

The initial design phase has already been completed for Mangrove West Coast and construction is expected to commence by October of this year. The total investment for the Mangrove West Coast is budgeted at around RMB1.5 billion (including land cost of RMB780 million) for the construction of 1,303 units covering a GFA of approximately 249,300 square metres, a club house (GFA of approximately 3,000 square metres), and a kindergarten (GFA of approximately 3,000 square metres).

Sinolink Garden Phase Four, "The Oasis", is currently in its initial design phase and is expected to commence construction before the end of this year. The Oasis has a total site area of 94,176 square metres and a GFA of approximately 387,800 square metres.

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

Gas Fuel Business

For the six months ended 30 June 2002, the Group's Gas Fuel business recorded a turnover of approximately HK\$499,340,000, representing a slight decrease of approximately 3.68% compared to the same period last year. The decrease in the turnover was mainly caused by the reduced sales price in the LP Gas, which on averages decreased by approximately 28% when compared to the corresponding period last year. However, the actual volume of LP Gas sold during the period was substantially higher when compared to the same period last year. The gross profit margin increased substantially from 6.78% for the six months ended 30 June 2001 to 24.22% for the six months ended 30 June 2002. The increase in the gross profit margin is a direct reflection of the Group's dedication in expanding the higher return retail business and in the significant progress of the Group's city piped gas business.

The Group's retail end-user customers increased to approximately 1,376,000 households as at 30 June 2002. Of this amount, approximately 1,325,000 households use gas in cylinders and approximately 51,000 households use piped gas, representing an increase of approximately 175,000 households and approximately 31,000 households respectively from the year-end figures.

With the city piped gas supply at such a low penetration rate in the PRC at present, the Group is planning to focus much of its efforts in the development of city piped gas projects through mergers and acquisitions. As the Group believes that piped gas will co-exist with cylinders, as demonstrated in other developed countries, the Group will continue to develop its cylinder retail business.

Electricity Generation

The disposal of the Group's electricity business was completed in May of this year and prior to the disposal, the electricity business recorded a turnover of approximately HK\$40,474,000, which is approximately the same as that recorded for the corresponding period last year.

The electricity generation business is now carried out by the Group's 29.99% owned associated company, SilverNet. The Group now has a clearly defined structure with the Company focusing on the property development and investment holding, Panva Gas focusing on the Gas Fuel business, and SilverNet focusing on the electricity generation business.

FINANCIAL POSITION

The Group's total borrowings decreased from approximately HK\$920,960,000 as at 31 December 2001 to approximately HK\$781,544,000 as at 30 June 2002. The proportion of borrowings due within one year to total borrowings also decreased from approximately 44.53% to approximately 24.20% and a long term borrowings to equity ratio of 39.71%. Borrowings are mainly used to finance the property development projects of the Group and are all borrowed at fixed interest rates.

Total assets pledged in securing these loans have a net book value of approximately HK\$232,705,000 as at 30 June 2002. Bank borrowings of the Group are denominated in RMB and as the entire operation of the Group is carried out in the PRC, all receipts and payments in relation to operation are denominated in RMB. In this respect the Group is not exposed to any foreign exchange exposure risk. No financial instruments were used for hedging purpose.

The Group's cash and cash equivalents amounted to approximately HK\$547,739,000 as at 30 June 2002 are mostly denominated in RMB, Hong Kong dollars and US dollars.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

Directors' interests

As at 30 June 2002, the interests of the directors, chief executive and their associates 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) Interest in Shares of the Company

Name of Director	Personal interest	Number of Ordinary Shares			Total
		Family interest	Corporate interest	Other interest	
Ou Yaping	2,640,000	2,756,000	1,245,185,000 (Note)	—	1,250,581,600

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

(ii) Interest in options to subscribe for Shares

As at 30 June 2002, under the Company's share option scheme adopted on 11 May 1998, options to subscribe for shares in the Company have been granted to the following directors:

Name of Directors	Date granted	Exercise period	Exercise price HK\$	Number of share option held
Law Sze Lai	14.03.2002	01.09.2002 to 01.09.2004	0.67	6,000,000
	14.03.2002	01.12.2002 to 01.12.2005	0.67	6,000,000
Chen Wei	14.03.2002	01.09.2002 to 01.09.2004	0.67	6,000,000
	14.03.2002	01.12.2002 to 01.12.2005	0.67	6,000,000
Tang Yui Man, Francis	15.06.2001	01.06.2002 to 01.06.2005	0.41	1,650,000
	15.06.2001	01.06.2003 to 01.06.2006	0.41	1,650,000
	21.09.2001	03.10.2002 to 03.10.2005	0.33	2,750,000
	14.03.2002	01.09.2002 to 01.09.2004	0.67	1,900,000
	14.03.2002	01.12.2002 to 01.12.2005	0.67	1,900,000

(iii) Interest in shares in associated corporations

Name of Directors	Name of associated corporation	Nature of Interest	Number of shares held
Ou Yaping	Panva Gas Holdings Limited	Corporate	441,380,062 (Note)
Ou Yaping	Silvernet Group Limited	Corporate	1,089,310,445
Chen Wei	Panva Gas Holdings Limited	Personal	2,160,000
Tang Yui Man, Francis	Panva Gas Holdings Limited	Personal	1,440,000

Note: The 441,380,062 shares represent (i) 429,298,462 shares held by Kenson Investment Limited ("Kenson"), a company incorporated in the BVI in which Mr. Ou, through Asia Pacific, has an indirect interest of 67.62%. Mr. Ou was deemed (by virtue of SDI Ordinance) to be interested in these shares. (ii) 12,081,600 shares held by Asia Pacific which is legally and beneficially owned by Mr. Ou.

Save as disclosed above, as at 30 June 2002, 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 2002, the following shareholders were 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 Shareholders	Number of shares	Approximate percentage of equity interests
Asia Pacific Promotion Limited	1,245,185,000	67.33%
Ou Yaping	1,250,581,600	67.62%

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.

SHARE OPTIONS

- (a) Pursuant to a share option scheme approved by resolutions of the shareholders of the Company dated 23 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 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.

At 30 June 2002, no options had been granted under the New Scheme.

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

At 30 June 2002, the outstanding number of shares in respect of which options had been granted under the Old Scheme was 58,701,000, representing 3.17% of the shares of the Company in issue at that date.

The total number of shares in respect of which share options may be granted under the New Scheme and the Old Scheme is 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 share 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.

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.

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

The directors believe that any statement regarding the value of share options granted during the period 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 share options will not be representative of the Group.

No charge is recognized in the income statement in respect of the value of share options granted during the period.

A summary of the movements during the period in the ordinary share options granted under Old Scheme are as follows:

		Number of share options			
	Outstanding at 1.1.2002 Number of Shares	Granted during the period Number of Shares	Exercised during the period Number of Shares	Lapsed during the period Number of Shares	Outstanding at 30.06.2002 Number of Shares
(a) 1998					
Directors	44,000,000	—	—	44,000,000	—
Employees	—	—	—	—	—
	<u>44,000,000</u>	<u>—</u>	<u>—</u>	<u>44,000,000</u>	<u>—</u>
(b) 1999					
Directors	17,600,000	—	17,600,000	—	—
Employees	1,705,000	—	1,375,000	—	330,000
	<u>19,305,000</u>	<u>—</u>	<u>18,975,000</u>	<u>—</u>	<u>330,000</u>
(c) 2000					
Directors	—	—	—	—	—
Employees	880,000	—	220,000	330,000	330,000
	<u>880,000</u>	<u>—</u>	<u>220,000</u>	<u>330,000</u>	<u>330,000</u>
(d) 2001A					
Directors	8,800,000	—	5,500,000	—	3,300,000
Employees	5,720,000	—	1,870,000	3,850,000	—
	<u>14,520,000</u>	<u>—</u>	<u>7,370,000</u>	<u>3,850,000</u>	<u>3,300,000</u>

		Number of share options				
		Outstanding at 1.1.2002 Number of Shares	Granted during the period Number of Shares	Exercised during the period Number of Shares	Lapsed during the period Number of Shares	Outstanding at 30.06.2002 Number of Shares
(e)	2001B					
	Directors	16,500,000	—	13,750,000	—	2,750,000
	Employees	8,591,000	—	2,200,000	—	6,391,000
		<u>25,091,000</u>	<u>—</u>	<u>15,950,000</u>	<u>—</u>	<u>9,141,000</u>
(f)	2002A					
	Directors	—	27,800,000	—	—	27,800,000
	Employees	—	7,000,000	—	200,000	6,800,000
		<u>—</u>	<u>34,800,000</u>	<u>—</u>	<u>200,000</u>	<u>34,600,000</u>
(g)	2002B					
	Directors	—	—	—	—	—
	Employees	—	11,000,000	—	—	11,000,000
		<u>—</u>	<u>11,000,000</u>	<u>—</u>	<u>—</u>	<u>11,000,000</u>

Details of specific categories of options are as follows:

Option type	Date of grant	Vesting period	Exercise period	Exercise price (HK\$)
1998	29.06.1998	6 months	06.01.1999 - 05.01.2002	0.55
	29.06.1998	12 months	06.07.1999 - 05.01.2002	0.64
1999	01.03.1999	6 months	03.09.1999 - 03.09.2002	0.41
	01.03.1999	12 months	03.03.2000 - 03.09.2002	0.41
	01.03.1999	18 months	03.09.2001 - 03.09.2002	0.41
2000	20.01.2000	12 months	01.01.2001 - 01.01.2004	0.50
2001A	15.06.2001	6 months	01.01.2002 - 01.01.2005	0.41
	15.06.2001	9 months	01.03.2002 - 01.03.2005	0.41
	15.06.2001	12 months	01.06.2002 - 01.06.2005	0.41
	15.06.2001	24 months	01.06.2003 - 01.06.2006	0.41
2001B	21.09.2001	6 months	03.04.2002 - 03.04.2005	0.33
	21.09.2001	12 months	03.10.2002 - 03.10.2005	0.33
	21.09.2001	14 months	30.12.2002 - 30.12.2005	0.33
2002A	14.03.2002	6 months	01.09.2002 - 01.09.2004	0.67
	14.03.2002	9 months	01.12.2002 - 01.12.2005	0.67
	14.03.2002	10 months	01.01.2003 - 01.01.2005	0.67
2002B	23.04.2002	6 months	23.10.2003 - 23.10.2005	0.81
	23.04.2002	12 months	23.04.2004 - 23.04.2006	0.81

CONTINGENT LIABILITIES

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

Guarantees given to banks as security for the mortgage loans arranged for the purchases of the Group's properties amounted to approximately HK\$162,323,000 (31 December 2001: HK\$122,026,000).

Corporate guarantee given to a bank to secure general banking facilities granted to a subsidiary as at 30 June 2002 was HK\$579,046,000 (31 December 2001: HK\$594,500,000)

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 2001.

INTERIM DIVIDENDS

The Directors have resolved to declare an interim dividend of HK\$0.03 per share (2001: HK\$0.03 per share and 1 for 10 bonus share) in respect of the six months ended 30 June 2002. The interim dividend is payable on or before 11 October 2002 to shareholders whose names appear on the register of members of the Company on 7 October 2002.

CLOSURE OF REGISTER OR MEMBERS

The register of members will be closed from 4 October 2002 to 7 October 2002, 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, Computershare Hong Kong Investor Services Limited, Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Thursday, 3 October 2002.

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 2002.

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.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate 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 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.

Condensed consolidated income statement

For the six months ended 30 June, 2002

	NOTES	Six months ended	
		30.6.2002 HK\$'000 (unaudited)	30.6.2001 HK\$'000 (unaudited)
Turnover	2	686,193	735,043
Cost of sales		(508,144)	(644,841)
Gross profit		178,049	90,202
Other operating income		2,321	1,492
Distribution costs		(22,970)	(16,052)
Administrative expenses		(57,478)	(43,539)
Other operating expenses		(984)	(3,651)
Profit from operations	3	98,938	28,452
Interest income		4,490	12,799
Finance costs		(1,826)	(3,290)
Gain on disposal of subsidiaries	4	111,860	44,466
Share of results of associates		(19,687)	(263)
Profit before taxation		193,775	82,164
Taxation	5	(5,022)	(4,335)
Profit before minority interests		188,753	77,829
Minority interests		(37,153)	(11,646)
Net profit for the period		151,600	66,183
Earnings per share	7		
Basic		HK8.47 cents	HK3.96 cents
Diluted		HK8.15 cents	HK3.74 cents
		HK\$'000	HK\$'000
Interim dividend declared of HK3.0 cents (2001: HK3.0 cents) per share	6	55,483	60,639

Condensed consolidated balance sheet

At 30 June 2002

	NOTES	30.6.2002 HK\$'000 (unaudited)	31.12.2001 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	326,830	480,873
Goodwill	9	29,241	22,069
Negative goodwill		(18,087)	(18,955)
Interests in associates	10	329,345	6,422
Investment in securities		24,121	23,808
Interests in convertible note		50,000	—
Loan receivable	11	1,946	2,473
		<u>743,396</u>	<u>516,690</u>
Current assets			
Properties held for sale		1,668,157	1,602,424
Inventories		47,424	39,468
Trade and other receivables	11	161,100	229,883
Amount due from minority shareholders		6,545	5,584
Investment in securities		6,469	6,992
Bank balances and cash		547,739	565,438
		<u>2,437,434</u>	<u>2,449,789</u>
Current liabilities			
Trade and other payables	12	310,807	362,749
Tax liabilities		27,433	30,986
Amounts due to minority shareholders		3,918	7,267
Borrowings	13	189,154	410,170
		<u>531,312</u>	<u>811,172</u>
Net current assets		<u>1,906,122</u>	<u>1,638,617</u>
Total assets less current liabilities		<u>2,649,518</u>	<u>2,155,307</u>
Non-current liabilities			
Deferred gain on disposal of subsidiaries		(153,758)	—
Borrowings	13	(592,390)	(510,790)
		<u>(746,148)</u>	<u>(510,790)</u>
Minority interests		<u>1,903,370</u>	<u>1,644,517</u>
		<u>(411,619)</u>	<u>(368,757)</u>
NET ASSETS		<u><u>1,491,751</u></u>	<u><u>1,275,760</u></u>
CAPITAL AND RESERVES			
Share capital	14	184,911	167,200
Reserves		1,306,840	1,108,560
SHAREHOLDERS' FUNDS		<u><u>1,491,751</u></u>	<u><u>1,275,760</u></u>

Condensed consolidated statement of change in equity

For the six months ended 30 June 2002

	Share capital HK\$'000	Share premium account HK\$'000	Assets revaluation reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	General reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2001	152,000	293,853	—	(5,742)	(5,985)	51,782	—	368,262	345,018	1,199,188
Exchange rate adjustment	—	—	—	8	—	—	—	—	—	8
Revaluation of land and buildings	—	—	20,558	—	—	—	—	—	—	20,558
Net gains and losses not recognised in the income statement	—	—	20,558	8	—	—	—	—	—	20,566
Disposal of a subsidiary	—	—	(1,096)	24	65	(177)	(207)	—	—	(1,391)
Contribution from a minority shareholder	—	—	—	—	—	—	1,065	—	—	1,065
Bonus issue of shares 152,000,000 shares of HK\$0.10 each	15,200	(15,200)	—	—	—	—	—	—	—	—
Transfer from profit and loss account	—	—	—	—	—	6,117	—	—	(6,117)	—
Profit for the year	—	—	—	—	—	—	—	—	116,971	116,971
Dividend	—	—	—	—	—	—	—	—	(60,639)	(60,639)
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	—	—	—	(196)	—	—	—	—	—	(196)
Net gains and losses not recognised in the income statement	—	—	—	(196)	—	—	—	—	—	(196)
Disposal of a subsidiary	—	—	(10,611)	(294)	8,511	(3,821)	(77)	(480)	—	(6,772)
Arising in the period	—	—	—	—	—	—	1	—	—	1
Shares issued at premium	17,711	53,647	—	—	—	—	—	—	—	71,358
Transfer from profit and loss account	—	—	—	—	—	644	—	—	(644)	—
Profit for the period	—	—	—	—	—	—	—	—	151,600	151,600
At 30 June 2002	184,911	332,300	8,851	(6,200)	2,591	54,545	782	367,782	546,189	1,491,751
At 1 January 2001	152,000	293,853	—	(5,742)	(5,985)	51,782	—	368,262	345,018	1,199,188
Exchange rate adjustment	—	—	—	(2)	—	—	—	—	—	(2)
Revaluation of land and buildings	—	—	4,974	—	—	—	—	—	—	4,974
Net gains and losses not recognised in the income statement	—	—	4,974	(2)	—	—	—	—	—	4,972
Disposal of a subsidiary	—	—	(1,096)	23	65	(176)	(207)	—	—	(1,391)
Contribution from a minority shareholder	—	—	—	—	—	—	939	—	—	939
Profit for the period	—	—	—	—	—	—	—	—	66,183	66,183
Dividends	—	—	—	—	—	—	—	—	(15,039)	(15,039)
At 30 June 2001	152,000	293,853	3,878	(5,721)	(5,920)	51,606	732	368,262	396,162	1,254,852

Condensed consolidated cash flow statement

For the six months ended 30 June 2002

	Six months ended	
	30.6.2002 HK\$'000 (unaudited)	30.6.2001 HK\$'000 (unaudited)
Net cash inflow (outflow) from operating activities	17,496	(16,613)
Net cash (outflow) inflow from investing activities	(54,181)	2,156
Net cash outflow before financing	(36,685)	(14,457)
Net cash inflow (outflow) from financing	18,986	(3,384)
Decrease in cash and cash equivalents	(17,699)	(17,841)
Cash and bank balances at beginning of the period	565,438	656,074
Effect of foreign exchange rate changes	—	(2)
Cash and bank balances at end of the period	547,739	638,231

Notes to the condensed financial statements

For the six months ended 30 June 2002

1. ACCOUNTING POLICIES

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

The condensed consolidated financial statements have been prepared in accordance with Statement of Standard Accounting Practice 25 "Interim financial reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants ("HKSA").

In the current period, the Company has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice issued by the HKSA:

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

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

Cash flow statements

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

Discontinuing operations

SSAP 33 Discontinuing operations is concerned with the presentation of financial information regarding discontinuing operations and replaces the requirements previous included in SSAP 2 Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies. Under SSAP 33, financial statement amounts relating to the discontinuing operation are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is announced. The adoption of SSAP 33 has resulted in the identification of the Group's electricity supply as a discontinuing operation in the current period, details of which are disclosed at note 20.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2001.

Notes to the condensed financial statements

For the six months ended 30 June 2002

2. SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to profit from operations for the six months ended 30 June 2002 is as follows:

30.6.2002	Continuing operations			Discontinuing operation	Eliminations	Consolidated
	Sale of completed properties/development properties HK\$'000	Gas fuel HK\$'000	Other business activities HK\$'000	Electricity supply operations HK\$'000		
TURNOVER						
External	134,539	499,340	11,840	40,474	—	686,193
Inter-segment	—	—	4,771	—	(4,771)	—
Total	<u>134,539</u>	<u>499,340</u>	<u>16,611</u>	<u>40,474</u>	<u>(4,771)</u>	<u>686,193</u>
SEGMENT RESULT	<u>21,761</u>	<u>90,713</u>	<u>311</u>	<u>2,179</u>	<u>—</u>	<u>114,964</u>
Other operating income						2,321
Unallocated corporate expenses						(18,347)
Profit from operations						<u>98,938</u>

30.6.2001	Continuing operations			Discontinuing operation	Eliminations	Consolidated
	Sale of completed properties/development properties HK\$'000	Gas fuel HK\$'000	Other business activities HK\$'000	Electricity supply operations HK\$'000		
TURNOVER						
External	140,354	518,417	9,881	66,391	—	735,043
Inter-segment	—	—	5,097	—	(5,097)	—
Total	<u>140,354</u>	<u>518,417</u>	<u>14,978</u>	<u>66,391</u>	<u>(5,097)</u>	<u>735,043</u>
SEGMENT RESULT	<u>17,596</u>	<u>8,937</u>	<u>1,967</u>	<u>3,097</u>	<u>—</u>	<u>31,597</u>
Other operating income						1,492
Unallocated corporate expenses						(4,637)
Profit from operations						<u>28,452</u>

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

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

Notes to the condensed financial statements

For the six months ended 30 June 2002

3. DEPRECIATION AND AMORTISATION

During the period, depreciation of HK\$18,464,000 (2001: HK\$19,531,000) was charged in respect of the Group's property, plant and equipment and amortisation of HK\$2,314,083 (2001: HK\$215,460) was charged to the administrative expenses in respect of the Group's goodwill. HK\$868,183 (2001: HK\$144,697) was released in respect of the Group's negative goodwill.

4. GAIN ON DISPOSAL OF SUBSIDIARIES

	Six months ended	
	30.6.2002 HK\$'000	30.6.2001 HK\$'000
Gain on partial disposal of interest in a subsidiary	111,860	44,183
Gain on disposal of a subsidiary	—	283
	<u>111,860</u>	<u>44,466</u>

The gain on the partial disposal of an interest in a subsidiary represented the gain arising on the disposal of shares of Panva Gas to a third party.

5. TAXATION

	Six months ended	
	30.6.2002 HK\$'000	30.6.2001 HK\$'000
The charge comprises:		
Profit for the period		
PRC, excluding Hong Kong	<u>5,022</u>	<u>4,335</u>

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

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

6. DIVIDENDS

On 12 April 2001, the Company distributed a special interim dividend by way of a dividend in specie of 15,200,000 shares of Panva Gas ("PANVA shares") in the proportion of 20 PANVA shares for every 2,000 shares of the Company held. No special interim dividend was declared during the period.

The directors have resolved to declare an interim dividend of HK\$0.03 per share (2001: HK\$0.03 per share and 1 for 10 bonus share) in respect of the six months ended 30 June 2002. The interim dividend is payable on or before 11 October 2002 to shareholders whose names appear on the Register of Members of the Company on 7 October 2002.

Notes to the condensed financial statements

For the six months ended 30 June 2002

7. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2002	30.6.2001
	HK\$'000	HK\$'000
Earnings for the purposes of basic earnings per share	151,600	66,183
Effect of dilutive potential shares:		
Interest on convertible note	412	1,368
Earnings for the purposes of diluted earnings per share	152,012	67,551
Weighted average number of shares for the purposes of basic earnings per share	1,790,402,683	1,672,000,000
Effect of dilutive potential ordinary shares:		
Convertible note	46,470,247	134,592,000
Share options	27,618,074	—
Weighted average number of shares for the purposes of diluted earnings per share	1,864,491,004	1,806,592,000

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment HK\$'000
COST OR VALUATION	
At 1 January 2002	613,400
Acquisition of a subsidiary	33,892
Additions	116,095
Disposal of a subsidiary	(349,775)
Disposals	(1,161)
At 30 June 2002	412,451
DEPRECIATION	
At 1 January 2002	132,527
Provided for the period	18,464
Eliminated on disposal of a subsidiary	(64,956)
Eliminated on disposals	(414)
At 30 June 2002	85,621
NET BOOK VALUE	
At 30 June 2002	326,830
At 31 December 2001	480,873

Notes to the condensed financial statements

For the six months ended 30 June 2002

9. GOODWILL

	2002 HK\$'000
At 1 January 2002	22,069
Arising on acquisition	9,686
Disposal	(654)
Amortisation	(2,314)
	<hr/>
At 30 June 2002	29,241
	<hr/> <hr/>

10. INTERESTS IN ASSOCIATES

During the period, the Group acquired 29.99% of the issued share capital of SilverNet for a consideration of HK\$163,400,000. The net asset value acquired was approximately HK\$108,917,000 and goodwill arising on acquisition was approximately HK\$54,483,000. The Group would amortise the goodwill for 20 years and approximately HK\$454,000 was charged to the administrative expenses.

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\$89,090,000 (2001: HK\$139,920,000), the aged analysis of which is as follows:

	30.6.2002 HK\$'000	31.12.2001 HK\$'000
Aged:		
0 to 90 days	49,248	109,293
91 to 180 days	28,418	18,233
181 to 360 days	1,784	299
Over 360 days	9,640	12,095
	<hr/>	<hr/>
	89,090	139,920
Less: Non-current portion	(1,946)	(2,473)
	<hr/>	<hr/>
	87,144	137,447
	<hr/> <hr/>	<hr/> <hr/>

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$110,540,000 (2001: HK\$111,981,000), the aged analysis of which is as follows:

	30.6.2002 HK\$'000	31.12.2001 HK\$'000
Aged:		
0 to 90 days	75,363	93,116
91 to 180 days	8,041	5,986
181 to 360 days	15,757	8,824
Over 360 days	11,379	4,055
	<hr/>	<hr/>
	110,540	111,981
	<hr/> <hr/>	<hr/> <hr/>

Notes to the condensed financial statements

For the six months ended 30 June 2002

13. BORROWINGS

	30.6.2002 HK\$'000	31.12.2001 HK\$'000
Bank loans		
- secured	189,154	189,804
- unsecured	510,790	675,412
Other loans	—	561
Convertible notes	81,600	55,183
	<u>781,544</u>	<u>920,960</u>
The maturity of the above loans is as follows:		
On demand or within one year	189,154	410,170
More than two years but not exceeding five years	592,390	510,790
	<u>781,544</u>	<u>920,960</u>
Less: Amount due within one year shown under current liabilities	(189,154)	(410,170)
Non-current portion	<u>592,390</u>	<u>510,790</u>

During the period, the convertible loan note due to a director, Mr. Ou Yaping, issued on 12 February 1999 was converted into 134,592,000 shares of the Company at an adjusted conversion price of HK\$0.41 per share. The Group issued a new convertible loan note to the associate, SilverNet, in the amount of HK\$81,600,000 on 6 May 2002.

The note is convertible into shares of the Company from the date of issue up to the second anniversary of the date of issue. The outstanding unconverted principal amount of the note will be redeemed on 5 May 2004 at par. Interest is payable at 1% per annum.

Notes to the condensed financial statements

For the six months ended 30 June 2002

14. SHARE CAPITAL

	30.6.2002 HK\$'000	31.12.2001 HK\$'000
Shares of HK\$0.10 each		
<i>Authorised:</i>		
2,000,000,000 shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
1,849,107,000 shares of HK\$0.10 each	<u>184,911</u>	<u>167,200</u>
A summary of the movement in the issued capital of the Company is as follows:		
	No of shares	HK\$'000
At 1 January 2002	1,672,000,000	167,200
Share options exercised	42,515,000	4,252
Convertible note converted	134,592,000	13,459
At 30 June 2002	<u>1,849,107,000</u>	<u>184,911</u>

15. RELATED PARTY TRANSACTIONS

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

	Six months ended 30.6.2002 HK\$'000	30.6.2001 HK\$'000
Skillful Assets Limited (<i>Note a & b</i>)		
- Rental paid thereto (<i>Note c</i>)	549	600
Mr. Ou Yaping (<i>Note a</i>)		
- Convertible note interest paid thereto (<i>Note d</i>)	287	1,368
SilverNet (<i>Note a</i>)		
- Interest received therefrom (<i>Note e</i>)	907	—
- Convertible note interest paid thereto (<i>Note f</i>)	125	—
Shenzhen Xiangdu F. & E. Co., Ltd. (<i>Note a</i>)		
- Rental received therefrom (<i>Note c</i>)	<u>—</u>	<u>337</u>

Notes:

- Transactions with these related parties are regarded as connected transactions as set out in Chapter 14 of the Listing Rules of the Stock Exchange.
- A company controlled by Mr. Ou Yaping and of which Mr. Ou Yaping is a director.
- Rental expenses were determined by the directors based on the directors' estimates of fair market value.
- The interest expense was determined in accordance with the loan agreement.
- The interest income was determined in accordance with the disposal agreement.
- The interest expense was determined in accordance with the sale and purchase agreement.

A subsidiary of the Group provided several guarantees to Fuhuade, a subsidiary of SilverNet, which is an associate of the Group amounting to RMB69 million. The guarantee is for a term of six years plus two years thereafter.

Notes to the condensed financial statements

For the six months ended 30 June 2002

16. CONTINGENT LIABILITIES

	THE GROUP	
	30.6.2002	31.12.2001
	HK\$'000	HK\$'000
Guarantees given to banks as security for the mortgage loans arranged for the purchasers of the Group's properties	162,323	122,026

	THE COMPANY	
	30.6.2002	31.12.2001
	HK\$'000	HK\$'000
Corporate guarantee given to a bank to secure general banking facilities granted to a subsidiary	579,046	594,500

On 17 May 1996, a legal claim for 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.

17. CAPITAL COMMITMENTS

	30.6.2002	31.12.2001
	HK\$'000	HK\$'000
Commitments in respect of properties under development:		
- authorised but not contracted for	1,493,904	34,549
- contracted for but not provided in the financial statements	88,106	113,898
	1,582,010	148,447
Commitments in respect of interest in subsidiaries contracted for but not provided in the financial statements	68,247	92,473
	1,650,257	240,920

18. 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\$230,899,000 (as at 31 December 2001: HK\$230,899,000) to secure general banking facilities granted to a subsidiary of the Company.

In addition, the Group had pledged property, plant and equipment having a net book value amounted to approximately HK\$1,806,000 (as at 31 December 2001: HK\$8,337,000) to secure bank loans granted to the subsidiaries of the Company.

19. POST BALANCE SHEET EVENTS

There were no material events subsequent to the balance sheet date.

Notes to the condensed financial statements

For the six months ended 30 June 2002

20. 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 has completed on 6 May 2002, on which date control of Sinolink Industrial passed to the acquirer.

The results of the electricity supply operations for the interim reporting period were as follows:

	Four months ended 30.4.2002 HK\$'000	Six months ended 30.6.2001 HK\$'000
Revenue	5,412	7,275
Operating costs	(3,053)	(4,084)
Finance cost	(1,144)	(1,721)
Profit before tax	1,215	1,470
Taxation	3	—
Profit from ordinary activities after tax	1,218	1,470

The effect of the disposal is summarised as follows:

	HK\$'000
Net liabilities disposed	(1,130)
Deferred gain on disposal	153,758
Unrealised gain on disposal	69,505
Total consideration	222,133
Satisfied by:	
Cash consideration	163,035
Debt assignment	(137,902)
Loans receivable	197,000
	222,133
Net cash inflow arising on disposal:	
Cash received	163,035
Bank balance and cash disposed of	(83,479)
	79,556

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

According to the Sale and Purchase Agreement, the Group guarantee the acquirer approximately HK\$135,000,000 profit in respect of a subsidiary of Sinolink Industrial, Fuhuade for the two years ending 31 December 2003.

Fuhuade is constructing a new power plant and it is expected to commence operation by the end at 2002. Accordingly, the gain on disposal of Sinolink Industrial amounted to approximately HK\$153,758,000 was deferred in full during the interim period and to be reassessed after the plant commences operation.

The unrealised gain on disposal arose because the Group acquired 29.99% of SilverNet.

Notes to the condensed financial statements

For the six months ended 30 June 2002

21. ACQUISITION OF SUBSIDIARY

The Group acquired 90% of the issued share capital of Sichuan Pengxi Natural Gas Company ("Pengxi") for cash consideration of HK\$10,944,808, this transaction has been accounted for using the purchase method of accounting.

The effect of the acquisition is summarised as follows:

	HK\$'000
Net assets acquired	1,259
Goodwill arising on acquisition	9,686
	<hr/>
Cash consideration	10,945
	<hr/>
Net cash outflow arising on acquisition	
Cash consideration	10,945
Bank balances and cash acquired	(465)
	<hr/>
	10,480
	<hr/>

Pengxi did not make any significant contribution to the results of the Group during the interim period.