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If you have sold or transferred all your shares in **Sinolink Worldwide Holdings Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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百仕達控股有限公司*

SINOLINK WORLDWIDE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1168)

**(1) MAJOR TRANSACTION – DISPOSAL OF INTERESTS IN
KENSON INVESTMENT LIMITED AND
SUPREME ALL INVESTMENTS LIMITED**

AND

**(2) DISCLOSEABLE TRANSACTION – PLACING OF
EXISTING SHARES OF ENERCHINA HOLDINGS LIMITED**

A letter from the board of directors of the Company is set out on pages 5 to 21 of this circular.

17 May 2005

* For identification purpose only

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Asia Pacific”	Asia Pacific Promotion Limited, a private company incorporated in the British Virgin Islands which is wholly-owned by Mr. Ou Yaping
“Business Day”	a day (other than a Saturday or Sunday or days on which a tropical cyclone warning Number 8 or above or a “black” rain warning signal is hoisted in Hong Kong at any time between 9 am and 5 pm) on which Hong Kong clearing banks are open for the transaction of normal banking business
“CCIH”	CITIC Capital Investment Holdings Limited, a company incorporated in Hong Kong with limited liability
“CITIC Payment”	HK\$170,101,842 payment in cash being the total consideration for the 226,802,456 Placing Shares to CCIH to be divided into two halves with the first half made on the Placing Completion Date and the second half made on 29 April 2005
“Code”	the Hong Kong Code on Takeovers and Mergers
“Company”	Sinolink Worldwide Holdings Limited (Stock Code: 1168), a company incorporated in Bermuda whose shares are listed on the Main Board of the Stock Exchange
“Conditions”	the conditions precedent to completion of the Sale and Purchase Agreement
“Deductible”	HK\$64,375,000 which represents the Maximum Exposure of Kenson under the Kenson Note as at the Valuation Date
“Directors”	the directors of the Company
“Disposal”	the disposal of the Sale Shares by the Company pursuant to the Sale and Purchase Agreement
“Disposal Completion Date”	the second Business Day after the date on which the last of the Conditions is fulfilled or waived or such other date as the parties may agree in writing
“Disposal Consideration”	the consideration for the disposal of the Sale Shares

DEFINITIONS

“Disposal Consideration Shares”	ordinary share(s) of HK\$0.01 each in the capital of Enerchina to be issued and allotted to the Company in full satisfaction of the Disposal Consideration
“Encumbrance”	any mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, claim, right, interest or preference granted to any third party, or any other encumbrance or security interest of any kind (or an agreement or commitment to create any of the same) and “ Encumbrancer ” means the holder of any Encumbrance
“End Date”	30 June 2005
“Enerchina”	Enerchina Holdings Limited (Stock Code: 622), a company incorporated in Bermuda whose shares are listed on the Main Board of the Stock Exchange
“Enerchina Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company listed and traded on the Stock Exchange
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Individuals Payment”	HK\$33,750,000 payment in cash being the total consideration for the 45,000,000 Placing Shares to the two individuals settled on the Placing Completion Date
“Issue Price”	HK\$0.69, the issue price of each Disposal Consideration Share which is equivalent to the closing price of the Enerchina Shares as stated in the Stock Exchange’s quotation sheet on the Valuation Date
“Kenson”	Kenson Investment Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Kenson Note”	the HK\$62,500,000 exchangeable redeemable note issued by Kenson to Hutchison International Limited (a wholly-owned subsidiary of Hutchison Whampoa Limited) on 1 November 2004 which is exchangeable into Panva Gas Shares at the exercise price of HK\$3.25 per Panva Gas Share (subject to adjustments)
“Latest Practicable Date”	11 May 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular

DEFINITIONS

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Maximum Exposure”	an amount which is calculated as the higher of: (a) the maximum debt liability of Kenson under the Kenson Note as at the Disposal Completion Date; or (b) the market value of the maximum number of Panva Gas Shares into which the Kenson Note can be exchanged in lieu of the repayment by Kenson of its debt liability under the Kenson Note calculated based on the closing price of the Panva Gas Shares as stated in the Stock Exchange’s quotation sheet on the Valuation Date
“Panva Gas”	Panva Gas Holdings Limited (stock code: 8132), a company incorporated in the Cayman Islands whose shares are listed on GEM
“Panva Gas Shares”	ordinary share(s) of HK\$0.10 each in the capital of Panva Gas listed and traded on GEM
“Placing”	the placing of an aggregate of 271,802,456 Enerchina Shares by the Company to three independent places through Smart Orient
“Placing Completion Date”	18 April 2005, being the date of completion of the Placing
“Placing Consideration”	HK\$203,851,842, being the total consideration for the Placing and to be satisfied by Individuals Payment and the CITIC Payment
“Placing Date”	13 April 2005
“Placing Shares”	271,802,456 Enerchina Shares which was held by Smart Orient before the Placing
“Public Float”	the requirement for at least 25% of the total issued share capital of Enerchina to be held at all times by the public
“Sale and Purchase Agreement”	a conditional sale and purchase agreement dated 7 April 2005 entered into between the Company and Enerchina in relation to the Disposal
“Sale Shares”	the entire issued share capital of Kenson and the entire issued share capital of Supreme All as at the Disposal Completion Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	ordinary share(s) of HK\$0.1 each in the capital of the Company listed and traded on the Stock Exchange
“Shareholders”	holders of the Share(s)
“Smart Orient”	Smart Orient Investments Limited, a company incorporated in British Virgin Islands and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supreme All”	Supreme All Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Valuation Date”	1 April 2005, being the last trading day of the Panva Gas Shares and the Enerchina Shares prior to the date of the Sale and Purchase Agreement



百仕達控股有限公司*

SINOLINK WORLDWIDE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1168)

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TANG Yui Man Francis (*Chief Executive Officer*)

CHEN Wei

LAW Sze Lai

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Independent Non-executive Directors:

LI Zhi Xiang

XIN Luo Lin

Davin A. MACKENZIE

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199 Des Voeux Road Central

Hong Kong

17 May 2005

To the shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTION – DISPOSAL OF INTERESTS IN
KENSON INVESTMENT LIMITED AND
SUPREME ALL INVESTMENTS LIMITED**

AND

**(2) DISCLOSEABLE TRANSACTION – PLACING OF
EXISTING SHARES OF ENERCHINA HOLDINGS LIMITED**

1. INTRODUCTION

On 7 April 2005, the Company, Enerchina and Panva Gas jointly announced that the Company and Enerchina entered into the Sale and Purchase Agreement, pursuant to which the Company agreed to sell, and Enerchina agreed to purchase, the Sale Shares, constituting the respective entire issued share capital of Kenson and Supreme All at the Disposal Consideration. As at the Latest Practicable Date, Kenson and Supreme All held 381,298,462 and 169,491,525 Panva Gas Shares respectively, representing approximately 40.47% and 17.98% of the issued share capital of Panva Gas respectively. The Disposal Consideration

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shall be satisfied by the allotment and issue credited as fully paid to the Company of 2,540,915,880 Disposal Consideration Shares by Enerchina on the Disposal Completion Date at the Issue Price.

The Disposal constitutes a major transaction for the Company under the Listing Rules and will accordingly be subject to the approval of the Shareholders. Pursuant to Rule 14.44(2) of the Listing Rules, a written approval has been obtained from Asia Pacific, the controlling shareholder of the Company, which, as at the date of the Latest Practicable Date, held 1,374,222,000 Shares, representing approximately 58.55% in nominal value of the Shares giving the right to attend and vote at a special general meeting to approve the Disposal. No general meeting of the Shareholders will need to be convened as all the conditions set out in Rule 14.44 of the Listing Rules have been met by the Company. As at the Latest Practicable Date, apart from approximately 0.65% shareholding interests in Panva Gas directly held by Asia Pacific, all the shareholding interests of Asia Pacific in Enerchina and Panva Gas are held through the Company. Therefore, Asia Pacific is not considered to have material interest in the Disposal. As no Shareholder has a material interest in the Disposal, no Shareholder is required to abstain from voting if the Company were to convene a special general meeting for the approval of the Disposal.

On 14 April 2005, the Company and Enerchina jointly announced that on 13 April 2005 the Company had through its wholly owned subsidiary, Smart Orient, placed an aggregate of 271,802,456 Enerchina Shares to three independent placees at a placing price of HK\$0.75 per Enerchina Share. Out of the Placing Shares, Smart Orient had placed 226,802,456 Enerchina Shares to CCIH and 45,000,000 Enerchina Shares to two other individuals. Each of the placees were independent from each other and all of them were independent and not connected persons (as defined in the Listing Rules) of the Company and Enerchina. The Placing Shares represent approximately 11.86% of the total issued share capital of Enerchina as at the Placing Date. The Placing Consideration were satisfied in cash by the Individuals Payment on the Placing Completion Date and the CITIC Payment on the Placing Completion Date and 29 April 2005.

The Placing constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide Shareholders with details of the Disposal and the Placing and other information in compliance with the requirements of the Listing Rules.

2. THE DISPOSAL

THE SALE AND PURCHASE AGREEMENT

Date

7 April 2005

Parties

- (1) Seller: The Company
- (2) Buyer: Enerchina

As at the Latest Practicable Date, the Company was the controlling shareholder of Enerchina and together with its associates beneficially owned as to approximately 50.50% of the issued share capital of Enerchina. As no connected person of the Company is entitled to exercise, or control the exercise of, 10%

LETTER FROM THE BOARD

or more of the voting power at any general meeting of Enerchina (interest of Asia Pacific in Enerchina through the Company should be excluded for the purpose of Rule 14A.11 of the Listing Rules), Enerchina is not a connected person of the Company under Chapter 14A of the Listing Rules.

Assets to be disposed

The Sale Shares, which will be fully paid-up shares owned by the Company on the Disposal Completion Date, will constitute the respective entire issued share capital of Kenson and Supreme All on the Disposal Completion Date.

The net asset value of the Sale Shares was HK\$949,437,000 as at 31 December 2004, taking into account that all loans due from/to Kenson and Supreme All with respect to the Company will be eliminated prior to the Disposal Completion Date. Based on a closing price of HK\$3.30 per Panva Gas Share as stated in the Stock Exchange's daily quotation sheet on the Valuation Date, the total market value of the Panva Gas Shares held by Kenson and Supreme All respectively was approximately HK\$1,817,606,957.10 as at the Valuation Date.

Disposal Consideration

The Disposal Consideration shall be HK\$1,753,231,957.10, which is equivalent to the total market value of the Panva Gas Shares held by Kenson and Supreme All respectively calculated based on the closing price of the Panva Gas Shares as stated in the Stock Exchange's quotation sheet on the Valuation Date (being HK\$3.30) less the Deductible.

The Disposal Consideration shall be satisfied by the allotment and issue credited as fully paid to the Company of 2,540,915,880 Disposal Consideration Shares by Enerchina on the Disposal Completion Date at the Issue Price. Based on the Issue Price, the Disposal Consideration Shares would have a total market value of approximately HK\$1,753,231,957.10 as at the Valuation Date.

The Disposal Consideration has been arrived at after arm's length negotiations between the Company and Enerchina with reference to, amongst other things, the total market value of the Panva Gas Shares held by Kenson and Supreme All respectively with reference to the closing price of the Panva Gas Shares as at the Valuation Date and the business prospects of Panva Gas.

Conditions precedent

Completion of the Sale and Purchase Agreement is conditional upon, amongst other things, the fulfillment or waiver of the following conditions on or before the End Date (or such other date as the parties may agree in writing):

- (a) at any time prior to the Disposal Completion Date, the current listing of the Panva Gas Shares not having been withdrawn, the Panva Gas Shares continuing to be traded on GEM (save for any temporary suspension pending any announcement in connection with the Sale and Purchase Agreement and the transactions contemplated thereunder) and the Stock Exchange not having indicated that they shall object to such listing and no circumstances existing based on which the SFC could exercise its powers to direct a suspension in dealings in the Panva Gas Shares;

LETTER FROM THE BOARD

- (b) the licences, authorisations, consents, registrations, confirmations, waivers and other approvals (the “Approvals”) necessary or desirable for the completion of the Sale and Purchase Agreement by the Company having been granted by the requisite person, entity, governmental, court, regulatory or other bodies on terms satisfactory to Enerchina including (but not limited to):
 - (i) a written confirmation from the SFC confirming that completion of the Sale and Purchase Agreement will not give rise to any takeover implications under the Code;
 - (ii) any Approvals required from holders of any shares, notes, bonds, instruments, redeemable notes, convertible bonds, derivatives or other securities of Panva Gas, Kenson or Supreme All (“Securities”) for the transfer of the Sale Shares; and
 - (iii) any Approvals required from any pledgee, mortgagee, chargee or Encumbrancer of the Panva Gas Shares or Securities for the transfer of the Sale Shares;
- (c) save and except for the release of the obligations of the Kenson Note, all releases from any pledgee, mortgagee, chargee, or Encumbrancer of all Encumbrances on, over or affecting the Panva Gas Shares or Securities;
- (d) the passing at a general meeting of the shareholders of Enerchina of a resolution to approve the purchase of the Sale Shares and all other necessary resolutions to increase the authorised share capital of Enerchina and to authorise the allotment and issue of the Disposal Consideration Shares in the agreed form or without material amendments to the agreed form (*Note 1*); and
- (e) the Approvals necessary or desirable for the completion of the Sale and Purchase Agreement by Enerchina having been granted by the requisite person, entity, governmental, court, regulatory or other bodies, amongst others, including (but not limited to):
 - (i) the Stock Exchange’s approval for the listing of and permission to deal in the Disposal Consideration Shares and any announcement or circular of Enerchina to be issued in connection with the Sale and Purchase Agreement or the transactions contemplated thereunder (*Note 2*); and
 - (ii) if necessary, any Approvals required from the Bermuda Monetary Authority for the allotment and issue of the Disposal Consideration Shares.

Note:

1. The transactions contemplated under the Sale and Purchase Agreement constitutes a connected transaction of Enerchina and therefore the Company and its associates will abstain from voting on the resolutions regarding the Sale and Purchase Agreement and the allotment and issue of the Disposal Consideration Shares which will be conducted by way of poll at the general meeting of Enerchina.
2. Any announcement or circular of Enerchina in connection with the Sale and Purchase Agreement or the transactions contemplated thereunder will be submitted to the Stock Exchange for their review and comments prior to the issue of such document.

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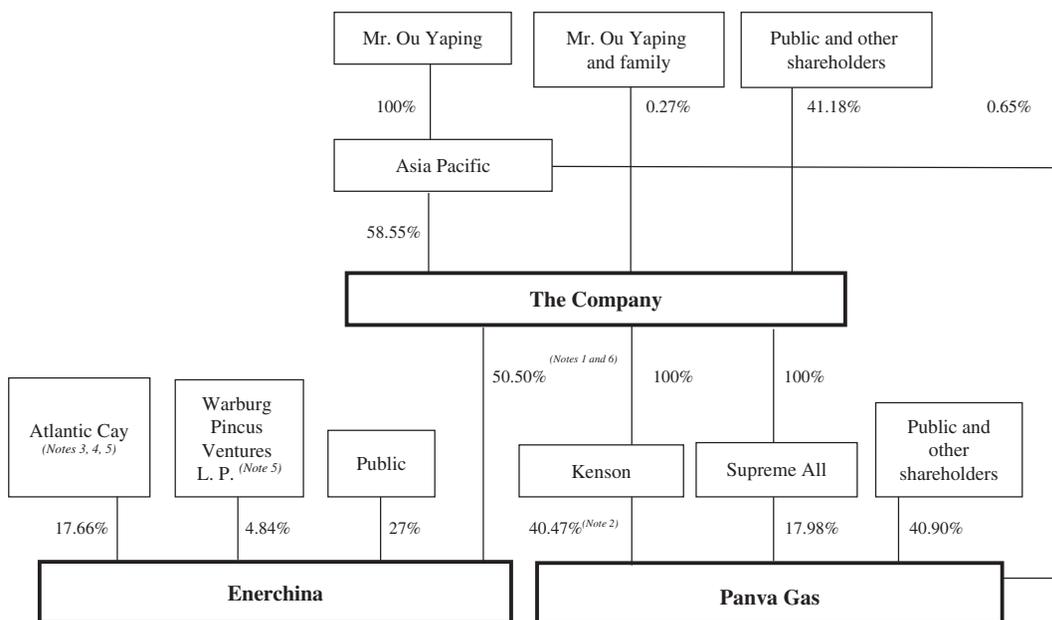
Completion

Completion of the Sale and Purchase Agreement shall take place on the Disposal Completion Date when evidence of the fulfillment of the Conditions shall be produced by the relevant parties. If any Condition is not satisfied or waived on or before the End Date (or such other date as the parties may agree in writing) then the Sale and Purchase Agreement shall terminate.

SHAREHOLDING STRUCTURES OF THE COMPANY, ENERCHINA AND PANVA GAS

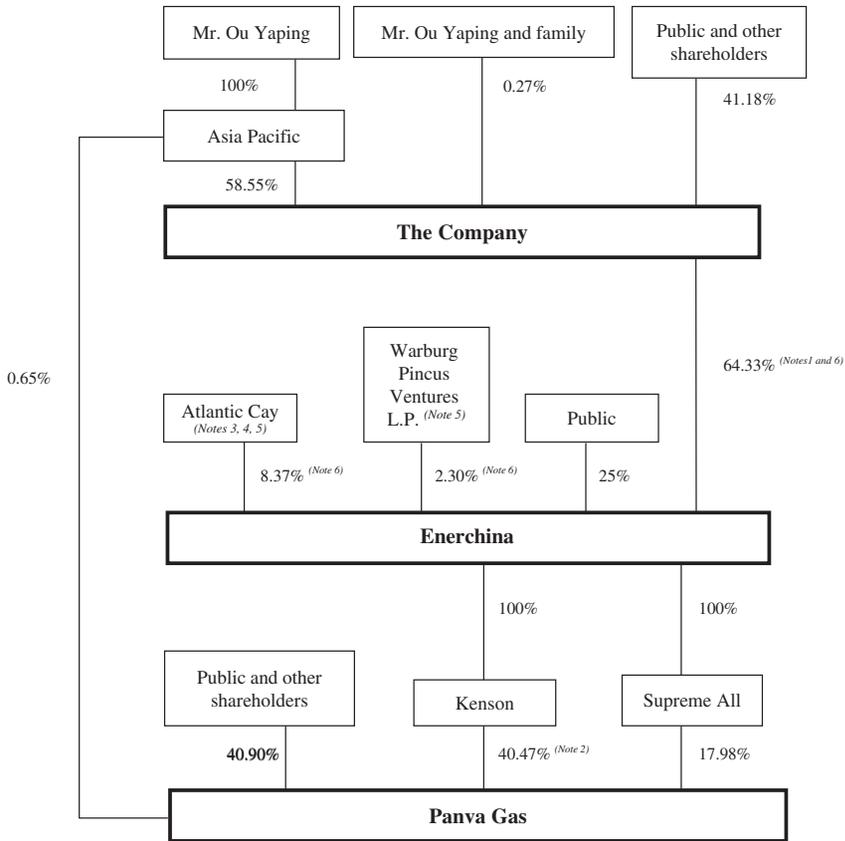
The following charts show the respective shareholding structures of the Company, Enerchina and Panva Gas immediately before and after completion of the Disposal respectively:

(a) Existing shareholding structures as at the Latest Practicable Date



LETTER FROM THE BOARD

(b) Immediately after completion of the Disposal and steps to be taken to restore the Public Float



Note 1: Includes the interest of Smart Orient.

Note 2: Assuming there is no exchange of any part of the Kenson Note into Panva Gas Shares.

Note 3: Each of Warburg Pincus Ventures International, L.P. (“WPV”) and Warburg Pincus Equity Partners, L.P. (“WPE”) is interested in 50% of the issued share capital of Atlantic Cay International Limited (“Atlantic Cay”).

Note 4: Warburg Pincus & Co. is the general partner of the limited partnerships WPV and WPE.

Note 5: None of Atlantic Cay, Warburg Pincus Ventures L.P., WPV or WPE has any interest in the Company or Panva Gas which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Note 6: Please refer to the paragraphs immediately below.

LETTER FROM THE BOARD

The expected shareholding of the Company of 64.33% in Enerchina after completion of the Disposal as stated in the diagram above assumes the allotment and issue of the Disposal Consideration Shares and then the placing of approximately 589,500,000 then existing Enerchina Shares to restore the Public Float on the Disposal Completion Date (the “Assumption”). **The Assumption may change depending on the circumstances and the Company and Enerchina may undertake a combination of steps (including an allotment and issue of new Enerchina Shares to independent third parties and/or the placing of the then existing Enerchina Shares) to restore the Public Float. As such, apart from the public’s interest in Enerchina which will be maintained to be at least 25%, the interest of the Company, Atlantic Cay and Warburg Pincus Ventures L.P. may deviate from the figures as shown in chart (b) above depending on the steps or the combination of steps to be taken by the Company and Enerchina to maintain the Public Float on the Disposal Completion Date.** However in any case, the Company will ensure that Enerchina will remain as a subsidiary of the Company after completion of the Disposal.

Prior to the Disposal, the Company has an interest of approximately 58.45% in Panva Gas through Kenson and Supreme All, its wholly-owned subsidiaries, and hence Panva Gas is a subsidiary of the Company. Following completion of the Disposal, the Company will also be deemed to be interested in the same number of Panva Gas Shares as before the Disposal (thereby continuing to be interested in approximately 58.45% in Panva Gas) by virtue of its controlling interest in Enerchina. Accordingly, Panva Gas will remain a subsidiary of the Company after completion of the Disposal.

Prior to the Disposal, the Company has an interest of approximately 50.50% in Enerchina and hence Enerchina is a subsidiary of the Company. After the allotment and issue of 2,540,915,880 Disposal Consideration Shares by Enerchina to the Company and, based on the Assumption, the placing down of the then existing Enerchina Shares on the Disposal Completion Date, the Company expects to have an interest of approximately 64.33% in the total issued share capital of Enerchina as enlarged by the issue of such Disposal Consideration Shares. As stated above, the Assumption may change depending on the circumstances. As such, the expected shareholding of the Company of approximately 64.33% in Enerchina is subject to possible changes depending on the steps or the combination of steps to be taken by the Company and Enerchina to maintain the Public Float on the Disposal Completion Date. However, in any case, the Company will ensure that Enerchina will remain as a subsidiary of the Company after completion of the Disposal.

The Company and Enerchina will ensure that upon completion of the Sale and Purchase Agreement the Public Float will be maintained.

INFORMATION ON KENSON AND SUPREME ALL

Each of Kenson and Supreme All is an investment holding company, wholly-owned by the Company. Their only assets as at the Disposal Completion Date would be their respective shareholdings in Panva Gas as stated below. For financial information relating to Kenson and Supreme All, please refer to Appendix II and Appendix III to this circular respectively.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Kenson and Supreme All held 381,298,462 and 169,491,525 Panva Gas Shares respectively, representing approximately 40.47% and 17.98% of the issued share capital of Panva Gas respectively.

The net loss before and after taxation and extraordinary items of Kenson for the year ended 31 December 2003 was HK\$2,514,242 (mainly attributable to finance expenses associated with the issue of an exchangeable note). The net profit before and after taxation and extraordinary items of Kenson for the year ended 31 December 2004 was HK\$146,845,806 (mainly attributable to the gain from the placing of Panva Gas Shares to independent third parties).

The net profit before and after taxation and extraordinary items of Supreme All for the year ended 31 December 2003 was HK\$2,809,671 (mainly attributable to interest income). The net loss before and after taxation and extraordinary items of Supreme All for the year ended 31 December 2004 was HK\$9,290 (mainly attributable to administrative costs).

INFORMATION ON PANVA GAS

Panva Gas, a company listed on GEM, together with its subsidiaries, are principally engaged in sale and distribution of natural gas and liquefied petroleum gas and construction of gas pipelines in the PRC. For financial information relating to Panva Gas, please refer to Appendix IV to this circular.

The audited net profit before taxation and extraordinary items of Panva Gas for the two years ended 31 December 2003 and 31 December 2004 were HK\$231,949,000 and HK\$283,799,000 respectively. The audited net profit after taxation and extraordinary items of Panva Gas for the two years ended 31 December 2003 and 31 December 2004 were HK\$209,074,000 and HK\$264,088,000 respectively.

INFORMATION ON THE DISPOSAL

Based on the net asset value of the Sale Shares of approximately HK\$949,437,000 as at 31 December 2004, taking into account that all loans due from/to Kenson and Supreme All with respect to the Company will be eliminated prior to the Disposal Completion Date, the Company expects to recognise in its income statement a gain of approximately HK\$168 million from the Disposal arising in respect of the dilution in the effective interest of the Company in Panva Gas assuming that: (a) the Company will be interested in approximately 64.33% of Enerchina based on the Assumption which in itself is subject to possible changes depending on the steps or combination of steps to be taken by the Company and Enerchina to maintain the Public Float on the Disposal Completion Date; and (b) any gain or loss resulting from any placing down exercise of existing Enerchina Shares by the Company on or before the Disposal Completion Date has not been taken into account.

Despite the above, there will not be any change in control of Panva Gas from the perspective of the Company as Panva Gas will remain as an indirectly owned subsidiary of the Company immediately after completion of the Disposal.

For information purpose, the original cost of the Panva Gas Shares to the Company held through Kenson and Supreme All was approximately HK\$150,293,965.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE DISPOSAL

Since the Company is the ultimate parent of Enerchina and Panva Gas, it can enjoy the benefits to Enerchina from the Disposal. With Panva Gas being a subsidiary of Enerchina after the Disposal, the Company will concentrate its resources in overseeing its investment in the energy sector through the management of Enerchina. This will lead to a better and more efficient allocation of resources. Furthermore, the Directors believe that the Disposal will lead to a realignment of the business divisions of the Company's main operating subsidiaries with Panva Gas' business being covered under the umbrella of "energy" business of Enerchina. This has the benefit of generating a simpler and clearer division of business lines within the Group.

The Directors believe that the terms of the Disposal and the transactions contemplated under the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

As a result of the Disposal, the Group will receive 2,540,915,880 new Enerchina Shares at HK\$0.69 each, giving an aggregate consideration of HK\$1,753,231,957.20.

Earnings

The Group recorded an audited consolidated net profit of approximately HK\$314.5 million for the year ended 31 December 2004. Based on the net asset value of the Sale Shares of approximately HK\$949,437,000 as at 31 December 2004, taking into account that all loans due from/to Kenson and Supreme All with respect to the Group will be eliminated prior to the Disposal Completion Date, the Group expects to recognise in its income statement a gain of approximately HK\$168 million from the Disposal arising in respect of dilution in the effective interest of the Group in Panva Gas assuming that: (a) the Company will be interested in 64.33% of Enerchina based on the Assumption which in itself is subject to possible changes depending on the steps or combination of steps to be taken by the Company and Enerchina to maintain the Public Float on the Disposal Completion Date; and (b) any gain or loss resulting from any placing down exercise of existing Enerchina Shares by the Company on or before the Disposal Completion Date has not been taken into account.

The actual profit for the Group resulting from the Disposal will be determined at Disposal Completion Date and the amount may be different from that as shown above.

Net Asset Value

After completion of the Disposal, the unaudited consolidated net asset value of the Group will be increased by approximately HK\$168 million. The increase in net asset value of approximately 6.9% is mainly attributable to the gain in respect of dilution in the effective interest of the Group in Panva Gas arising from the Disposal.

LETTER FROM THE BOARD

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

PROSPECTS

Property Development

With the positive response from the presale of *The Oasis* since July 2004 and the launch of *The Mangrove West Cove* this year, the gross floor area available for sale will increase substantially in 2005 and the Group plans to achieve the sales of all the remaining units of *The Oasis* and not less than 35% of *The Mangrove West Coast*.

On the macro side, the property prices in the PRC continued to rise with property prices in some provinces rise quicker and steeper than others. In view of the strong growth of the economy, the PRC government imposed several control measures to adjust its economy, one of them being raising its mortgage interest rate. The Board believed these macro-austerity measures had no significant negative impact on the current property development business of the Group. In fact, some consolidation of the industry has been seen in different regions in China, this will only make the property market to grow more steady and healthy and we expect this trend will continue in 2005.

Moving ahead, the Group will continue to seek its expansion in the property development business by increasing its land bank and actively exploring other potential projects in Shenzhen with a view to create value to the Shareholders.

Gas Fuel Business

The PRC economy has entered into a solid stage of rapid growth. With the further opening up of the energy sector, there will be a huge amount of new opportunities for the gas fuel industry. The Group believes that its businesses will continue to expand in 2005 and will derive additional benefits from its strong end-user customer bases in piped gas and LP Gas sales in cylinders.

In 2005, the Group will continue to strengthen its new project developments in Sichuan and the northeastern region in China, where those cities in which the Group has secured projects will be used as footholds to expand into the regions. The Group will also further expand the markets of its existing operations and to seek cooperation and integration opportunities with the enterprises in the gas fuel sector.

The Group will focus on parallel expansion of its piped gas business and the retail business of LP Gas in cylinders with an emphasis on the further development of their end-user customer bases. The Group will strive to exploit new opportunities in the PRC's major cities to further enhance its competitive advantages.

The Group will strive to enhance the management and operations of its member companies by making further efforts to integrate their resources, to better utilise their gas supply and end-user sales networks, and to further improve their safety standards.

LETTER FROM THE BOARD

Power generation

On our power generation business, we set our top priority to make sure that our fourth combined cycle generating unit with the installed capacity of 180,000 kilowatts will be completed and commence commercial operation on or before target completion date in the second quarter of 2005. We will also be conducting feasibility studies towards switching to the utilization of natural gas as fuel and to further expand its capacity to 1,500,000 kilowatts in response to the strong demand of electricity in the PRC. On the other hand, we will continue to seek other means of energy production opportunities to diversify our investment by exploring new projects both through Greenfield projects as well as suitable acquisition targets in the regions where strong demand for energy exists.

On the operational side, the soaring oil price continues to pose challenges to the management in the coming year. While the management monitors closely the oil price movement in the world market, other measures like enforcing stringent control over the inventory level and further strengthening the procurement procedures to control over our fuel costs will also be implemented. In addition, regular maintenance and periodical overhauls will also be carried out to achieve a safe and stable supply of electricity.

BUSINESS REVIEW

For the year ended 31 December 2004, the Group recorded a turnover of HK\$2,406.4 million representing an increase of 32.6% as compared to last year. Gross profit increased to HK\$650.6 million for the year ended 31 December 2004, an increase of 35.9% as compared to last year. The increase in gross profit was mainly attributable to the significant progress of the Group's gas fuel business, improved in the property development business and consolidation of the electricity business since December 2004. Net profit amounted to HK\$314.5 million, a reduction of 50.1% due to the lack of non-operational gain in 2004 as compared to 2003.

Property Development

For the year ended 31 December 2004, the Group recorded a turnover of HK\$478.3 million for the property development business, representing an increase of 44.5% as compared to last year. The Group sold a total floor area of 67,272 square metres during the year as compared to 50,034 square metres for last year. The increase in turnover was mainly attributable to the launch of *The Oasis* in July 2004. The turnover was mainly derived from the sales of *The Oasis*, which accounted for 69.5% of the total property sales for the year, representing 463 units (46,742 square metres) at an average selling price of RMB8,035. The remaining sales were derived from *The Mandarin House* and the *Sinolink No.8*, which accounted for 13.7% and 16.8% of property sales for the year, representing 108 units (9,187 square metres) and 89 units (11,343 square metres) at an average selling price of RMB6,901 and RMB8,839 respectively.

LETTER FROM THE BOARD

As at 31 December 2004, the Group has the following properties under development:

- (i) Sinolink Garden Phase Four, *The Oasis* is a 1,322 units development covering a total gross floor area of 140,868 square metres and a 20,619 square metres commercial development. The occupancy permit is expected to be granted by September 2005 and presale has started since July 2004.
- (ii) Sinolink Garden Phase Five is a development project with a total site area of 40,786 square metres and total gross floor area of 228,574 square metres. It is scheduled to complete its design and will commence construction in the second half of 2005.
- (iii) *The Mangrove West Coast* is a development project with a total site area of 75,101.8 square metres and total gross floor area of 249,300 square metres. This residential development project has completed the structural work as at 31 December 2004 and presale is expected to start in the second quarter of 2005.

During the year under review, the Group sold its 82% equity interest held in a development project in Dameisha, Shenzhen to independent third parties for a consideration of HK\$66.2 million, resulting in a gain on disposal of HK\$3.9 million.

Gas Fuel Business

For the year ended 31 December 2004, the Group's gas fuel business, operated by Panva Gas, recorded turnover of HK\$1,800.3 million, representing an increase of 23.5% compared with last year. Gross profit increased by 16.3% to HK\$446.9 million. The continual improvement in the gross profit margin was due to the solid growths of its businesses as well as major breakthroughs in new project developments. While actively expanding new markets, Panva Gas also made further efforts to enhance the management of its subsidiary companies. Such efforts included the establishment of special task forces led by professionals to standardise the companies' management practices, to regenerate their operations and corporate culture, and to develop a business model for the optimum integration of its resources and activities.

The Gas Fuel business can be further divided into the wholesale and retail of LP Gas, the sale of piped gas and the gas pipeline development businesses. The turnover contribution from each of these activities amounted to HK\$858.6 million, HK\$412.5 million, HK\$66.5 million and HK\$431.6 million respectively and accounted for 47.7% 22.9% 3.7% and 24.0% respectively to the Panva Gas's total turnover.

Gas pipeline development continues to be an essential part of Panva Gas' business, which not only brings revenue at a higher gross profit margin but also facilitates the expansion of piped gas distribution. While making solid efforts to increase its penetration in the existing piped gas market, Panva Gas is also striving to obtain more piped gas projects by leveraging on the gas pipeline development business.

LETTER FROM THE BOARD

With diligent and coordinated efforts, Panva Gas has successfully implemented its project development plan laid down in early 2004. Eight new piped gas projects were secured during the year. Among them, three projects were located in the Changchun city of Jilin province, the Anshan city of Liaoning province, and the Qiqihar city of Heilongjiang province, which represented the major breakthroughs in the northeastern region in China following its years of preparation works. With the successful acquisition of these large and good quality projects, Panva Gas has gained major footholds for its strategic development in the northeastern region. The Changchun project is particularly significant, which provides Panva Gas further leverage in the PRC's gas fuel sector as well as an additional venue to tap the capital market.

Apart from these three projects, Panva Gas continued to make progress in the Sichuan province with five new projects acquired in the cities of Yuechi, Cangxi, Zhongjiang, Pengshan and Chengdu. Among them, the successful acquisition of a 13% interest in City of Chengdu Gas Company Limited represented a significant move of the Group for its strategic development in the Sichuan province. The acquisition of these five high quality projects during the year gives further evidence that Panva Gas has embarked on a solid track of rapid growth through mergers and acquisitions.

Electricity Generation

The electricity generation business of the Company is used to be conducted through one of its associate, Enerchina, which had become the Company's subsidiary since 3 December 2004. During the year ended 31 December 2004, Enerchina sold 1,473.0 million kWh of electricity, representing an increase of 54.7% as compared to 952.1 million kWh over last year and recorded turnover of HK\$856.4 million, an increase of 53.0% over last year. This increase mainly contributed by the increased demand for electricity in the PRC and the newly completed third combined cycle generating unit which commenced commercial production in September 2004. As the Group increased its stake in Enerchina on 3 December 2004, whereby electricity generation become one of our principal activities of the Group, this activity contributed turnover and operating profit of HK\$99.9 million and HK\$15.4 million respectively to the Group for the year.

Enerchina's direct operating expenses increased slightly to HK\$665.1 million due to soaring fuel cost, which was our primary direct operating expense. The higher fuel cost was primarily due to the staggering high world oil price especially in the second half of 2004 in response to the various uncertainties encountered in the oil producing regions. In order to cope with this difficult situation, the management had carried out various remedial measures, including strengthening of fuel procurement and inventory control, so as to minimize the impact to the Group as a whole. The management considered the remedial measures effective and the result satisfactory.

Enerchina recorded a net profit of HK\$80.2 million. This remarkable performance was the results of the increase in power generation due to increased capacity, the strong demand for electricity in the PRC and the management's effective cost control measures especially on the fuel supply.

LETTER FROM THE BOARD

FINANCIAL POSITION

The Group's total borrowings increased from HK\$1,234.7 million as at 31 December 2003 to HK\$4,381.7 million as at 31 December 2004. The increase is mainly due to the increase in bank and other loans and senior notes of US\$200 million raised by Panva Gas for the expansion of piped gas business. In addition, the total borrowing also increased due to the consolidation of the loans of Enerchina, which became a subsidiary of the Group since December 2004.

The proportion of borrowings due within one year to total borrowings decreased from 54.2% to 18.5% and a long term borrowings to equity ratio of 146.9%. Bank borrowings are mainly used to finance the property development projects of the Group and the construction of the power plants and the convertible notes, bonds and the senior notes due 2011 are used for the expansion of gas fuel business. The borrowings are mainly at floating interest rates.

Total assets pledged in securing these loans have a net book value of HK\$498.4 million as at 31 December 2004. The Group's borrowings are denominated in RMB, Hong Kong dollars and United State dollars. As the entire operation of the Group is carried out in the PRC, substantial receipts and payments in relation to operation are denominated in RMB. No financial instruments were used for hedging purpose except for the interest rate swap entered into by Panva Gas to hedge the senior notes; however, the Board is evaluating and closely monitoring the potential impact of RMB appreciation and interest rate movement and the instruments that could minimize such potential impact on the Group.

The Group's cash and cash equivalents amounted to HK\$3,618.7 million as at 31 December 2004 are mostly denominated in RMB, Hong Kong dollars and US dollars.

EMPLOYEES AND REMUNERATION POLICIES

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

As at 31 December 2004, the Group had over 4,120 employees, an increase of 13.5% from last year and 99% of the Group's employees are located in the PRC.

GENERAL

The Disposal constitutes a major transaction for the Company under the Listing Rules and will accordingly be subject to the approval of the Shareholders. Pursuant to Rule 14.44(2) of the Listing Rules, a written approval has been obtained from Asia Pacific, the controlling shareholder of the Company, which, as at the date of the Latest Practicable Date, held 1,374,222,000 Shares, representing approximately 58.55% in nominal value of the Shares giving the right to attend and vote at a special general meeting to approve the Disposal. No general meeting of the Shareholders will need to be convened as all the conditions set out in Rule 14.44 of the Listing Rules have been met by the Company. As at the Latest Practicable Date, apart from approximately 0.65% shareholding interests in Panva Gas directly held by Asia Pacific, all the shareholding interests of Asia Pacific in Enerchina and Panva Gas are held through the Company. Therefore, Asia Pacific is not considered to have material interest in the Disposal. As no Shareholder has a material interest in the Disposal, no Shareholder is required to abstain from voting if the Company were to convene a special general meeting for the approval of the Disposal.

LETTER FROM THE BOARD

3. THE PLACING

PLACING

On 13 April 2005, the Company has, through its wholly owned subsidiary, Smart Orient, placed an aggregate of 271,802,456 Placing Shares to three independent placees at a price of HK\$0.75 per Share. Out of the Placing Shares, Smart Orient has placed 226,802,456 Placing Shares to CCIH and 45,000,000 Placing Shares to two individuals. All of the placees are independent and not connected persons (as defined in the Listing Rules) of the Company and Enerchina. The Placing Shares represent approximately 11.86% of the total issued share capital of Enerchina as at the Latest Practicable Date.

The Placing Consideration in total amount of HK\$203,851,842 were satisfied in cash by the Individuals Payment settled on the Placing Completion Date and the CITIC Payment made on the Placing Completion Date and 29 April 2005. The Placing Consideration has been arrived at after arm's length negotiations between the Company and the three placees with reference to, amongst other things, the total market value of the Placing Shares with reference to the closing price of the Placing Shares as at the Placing Date.

The Placing Price represented a discount of approximately 6.25% to the closing price of HK\$0.80 per Enerchina Share quoted on the Stock Exchange on 13 April 2005 (being the Placing Date) and a premium of approximately 1.76% above the average closing price of HK\$0.737 per Enerchina Share quoted on the Stock Exchange for the 10 trading days up to and including 13 April 2005.

The subject matter of the Placing involved 11.86% of the total issued share capital of Enerchina. The net asset value of Enerchina was approximately HK\$1,342,792,000 as at 31 December 2004 being the date of the latest published financial statements of Enerchina. The net profits (before taxation and extraordinary items) of Enerchina for the two years ended 31 December 2003 and 31 December 2004 were approximately HK\$66,365,000 and HK\$80,229,000 respectively. The net profits (after taxation and extraordinary items) of Enerchina for the two years ended 31 December 2003 and 31 December 2004 were approximately HK\$57,466,000 and HK\$80,229,000 respectively.

REASONS FOR AND BENEFITS OF THE PLACING

The Placing was made to fulfill the undertaking given by the Company to the Stock Exchange on 22 February 2005 to use its best efforts to take further appropriate steps to ensure restoration of the Public Float for Enerchina by 18 April 2005. The Directors believed that the terms of the Placing were fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Based on the net asset value of the Placing Shares of approximately HK\$159,255,000 as at 31 December 2004, the Company expects to recognize in its income statement a gain of approximately HK\$44,200,000 from the Placing. The original average cost of the Placing Shares held by the Company was approximately HK\$166,071,122. The net proceeds from the Placing amounting to approximately HK\$203,500,000 will be used by the Company to repay its bank borrowings raised to finance the general offers completed on 18 January 2005 and as general working capital.

LETTER FROM THE BOARD

The Placing was unconditional and was completed on the Placing Completion Date. Upon completion of the Placing, the Company and its associates were interested in approximately 50.50% of the total issued share capital of Enerchina as at the Placing Completion Date. Enerchina remained as a subsidiary of the Company immediately after completion of the Placing.

FINANCIAL EFFECT OF THE PLACING

The Placing is expected to result in a gain of approximately HK\$44.2 million to the Group. This amount is calculated based on the net asset value of Enerchina as at 31 December 2004.

On completion of the Placing, the net asset value of the Group will therefore increase by approximately HK\$44.2 million.

INFORMATION ABOUT THE PLACEES

CCIH is the proprietary investment subsidiary of CITIC Capital Markets Holdings Ltd. (“CITIC Capital”) based in Hong Kong. CITIC Capital is the international investment banking arm of CITIC Group in China dedicated to providing comprehensive and professional financial services in investment banking, asset management, securities brokerage and securities research to institutional and private clients. CITIC Capital shares the views of Enerchina that (i) the energy and utility industry will be one of the fastest growing sectors of China’s economy, (ii) coal gasification will be an important “clean energy” component in the power generation business in China for environmental reasons and (iii) Enerchina is well positioned to benefit from the growth of such business.

Each of CCIH and the other two individual placees are independent from each other and are independent and not connected persons (as defined in the Listing Rules) of the Company and Enerchina. After the completion of the Placing, each of CCIH and the other two individual placees will not separately be interested in 10% or more of the total issued share capital of Enerchina. Upon completion of the Placing, CCIH and the other two individual placees will be interested in approximately 9.90% and 1.96% of the total issued share capital of Enerchina respectively.

GENERAL

The Placing constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and therefore not subject to the Shareholders’ approval.

4. ADDITIONAL INFORMATION

The Group is principally engaged in property development, generation and supply of electricity in the PRC, sale and distribution of liquefied petroleum gas and natural gas and construction of gas pipelines in the PRC. For financial information relating to the Group, please refer to Appendix I to this circular.

LETTER FROM THE BOARD

Enerchina, a company listed on the Main Board of the Stock Exchange and a subsidiary of the Company, together with its subsidiaries, are principally engaged in the generation and supply of electricity in the PRC and investment holdings. Upon completion of the Disposal, Enerchina will engage in the energy business which shall comprise of its current business as well as the business of Panva Gas.

Your attention is drawn to the information as set out in the Appendices to this circular.

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

1. WORKING CAPITAL

The Directors are of the opinion that, following completion of the Disposal and taking into account the internal resources of the Group, the Group will have sufficient working capital for its present requirements.

2. INDEBTEDNESS STATEMENT

At the close of business on 31 March 2005, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$4,374,525,000, comprising secured bank borrowings of approximately HK\$589,401,000, unsecured bank borrowings of approximately HK\$1,601,154,000, unsecured other loans of approximately HK\$169,458,000, an unsecured and non-interest bearing advances from minority shareholders of approximately HK\$12,281,000, exchangeable note of approximately HK\$62,500,000, convertible bonds due 2008 of approximately HK\$380,731,000 and senior notes due 2011 of approximately US\$200.0 million (HK\$1,559.0 million) respectively. The bank and other borrowings were repayable within 1 to 7 years.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorized or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding at the close of business on 31 March 2005.

3. SUMMARY OF FINANCIAL INFORMATION

I. AUDITED FINANCIAL INFORMATION FOR THE GROUP

(i) Consolidated Profit and Loss Account

Set out below are the audited consolidated profit and loss accounts of the Group for the years ended 31 December 2004, 2003 and 2002 extracted from the audited financial statements of the Group for the relevant years.

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)	2002 <i>HK\$'000</i>
Turnover	2,406,388	1,815,356	1,525,406
Cost of sales	<u>(1,755,793)</u>	<u>(1,336,630)</u>	<u>(1,156,903)</u>
Gross profit	650,595	478,726	368,503
Other operating income	33,566	25,511	20,953
Distribution costs	(72,691)	(52,512)	(46,380)
Administrative expenses	(148,231)	(130,649)	(117,081)
Other operating expenses	<u>(34,118)</u>	<u>(15,159)</u>	<u>(3,509)</u>
Profit from operations	429,121	305,917	222,486
Finance costs	(34,721)	(10,630)	(4,350)
Gain on disposal of subsidiaries	90,705	293,817	195,908
Loss on deemed disposal arising from dilution of interest in a subsidiary	(3,266)	–	
Loss on deemed disposal arising from dilution of interest in an associate	(432)	–	
Gain on disposal of associates	–	133,209	(234)
Release of deferred gain on disposal of a subsidiary	–	77,000	
Gain on partial disposal of an associate	–	2,677	
Share of results of associates	26,482	5,981	(22,749)
Amortisation of goodwill of associates	<u>(2,615)</u>	<u>(2,724)</u>	<u>(1,816)</u>
Profit before taxation	505,274	805,247	389,245
Taxation	<u>(39,385)</u>	<u>(48,654)</u>	<u>(16,068)</u>
Profit before minority interests	465,889	756,593	373,177
Minority interests	<u>(151,412)</u>	<u>(126,658)</u>	<u>(78,748)</u>
Net profit for the year	<u>314,477</u>	<u>629,935</u>	<u>294,429</u>
Dividends	<u>105,134</u>	<u>114,736</u>	<u>55,483</u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	<u>13.61</u>	<u>28.15</u>	<u>16.17</u>
Diluted	<u>12.87</u>	<u>27.54</u>	<u>15.40</u>

(ii) Audited financial statements for the year ended 31 December 2004

Set out below is the audited consolidated income statement, consolidated balance sheet, balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and notes to the financial statements reproduced from the audited accounts published in the Group's Annual Report for the year ended 31 December 2004.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2004

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)
Turnover	5	2,406,388	1,815,356
Cost of sales		<u>(1,755,793)</u>	<u>(1,336,630)</u>
Gross profit		650,595	478,726
Other operating income	6	33,566	25,511
Distribution costs		(72,691)	(52,512)
Administrative expenses		(148,231)	(130,649)
Other operating expenses		<u>(34,118)</u>	<u>(15,159)</u>
Profit from operations	7	429,121	305,917
Finance costs	9	(34,721)	(10,630)
Gain on disposal of subsidiaries	10	90,705	293,817
Loss on deemed disposal arising from dilution of interest in a subsidiary		(3,266)	–
Loss on deemed disposal arising from dilution of interest in an associate		(432)	–
Gain on disposal of associates		–	133,209
Release of deferred gain on disposal of a subsidiary		–	77,000
Gain on partial disposal of an associate		–	2,677
Share of results of associates		26,482	5,981
Amortisation of goodwill of associates		<u>(2,615)</u>	<u>(2,724)</u>
Profit before taxation		505,274	805,247
Taxation	11	<u>(39,385)</u>	<u>(48,654)</u>
Profit before minority interests		465,889	756,593
Minority interests		<u>(151,412)</u>	<u>(126,658)</u>
Net profit for the year		<u><u>314,477</u></u>	<u><u>629,935</u></u>
Dividends	12	<u>105,134</u>	<u>114,736</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	13		
Basic		<u>13.61</u>	<u>28.15</u>
Diluted		<u>12.87</u>	<u>27.54</u>

CONSOLIDATED BALANCE SHEET

At 31 December 2004

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)
Non-current assets			
Property, plant and equipment	<i>14</i>	2,374,254	668,403
Intangible asset	<i>15</i>	9,160	9,662
Goodwill	<i>16</i>	180,120	21,443
Negative goodwill	<i>17</i>	(40,125)	(18,022)
Interests in associates	<i>19</i>	70,677	184,552
Investments in securities	<i>20</i>	146,099	83,917
		<u>2,740,185</u>	<u>949,955</u>
Current assets			
Stock of properties	<i>21</i>	2,082,615	1,639,994
Inventories	<i>22</i>	102,102	36,417
Trade and other receivables	<i>23</i>	870,798	619,385
Investments in securities	<i>20</i>	49,576	50,126
Amount due from an associate		–	75,000
Amounts due from minority shareholders	<i>24</i>	28,064	11,246
Pledged bank deposits		72,467	–
Bank balances and cash		3,546,256	1,309,473
		<u>6,751,878</u>	<u>3,741,641</u>
Current liabilities			
Trade and other payables	<i>25</i>	681,804	327,912
Amounts due to minority shareholders	<i>24</i>	30,773	6,523
Taxation		79,470	61,156
Borrowings – amount due within one year	<i>27</i>	811,559	669,056
		<u>1,603,606</u>	<u>1,064,647</u>
Net current assets		<u>5,148,272</u>	<u>2,676,994</u>
Total assets less current liabilities		7,888,457	3,626,949
Non-current liabilities			
Borrowings – amount due after one year	<i>27</i>	(3,570,142)	(565,655)
		4,318,315	3,061,294
Minority interests		(1,888,445)	(874,556)
Net assets		<u>2,429,870</u>	<u>2,186,738</u>
Capital and reserves			
Share capital	<i>29</i>	233,345	191,104
Reserves	<i>30</i>	2,196,525	1,995,634
Shareholders' funds		<u>2,429,870</u>	<u>2,186,738</u>

BALANCE SHEET*At 31 December 2004*

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>14</i>	1,666	234
Interests in subsidiaries	<i>18</i>	1,532,460	905,497
Interest in an associate	<i>19</i>	–	246,591
		<u>1,534,126</u>	<u>1,152,322</u>
Current assets			
Trade and other receivables		1,152	11,472
Investments in securities	<i>20</i>	–	50,000
Amount due from an associate		–	75,000
Bank balances and cash		12,118	754,533
		<u>13,270</u>	<u>891,005</u>
Current liabilities			
Trade and other payables		280	598,150
Amounts due to subsidiaries	<i>26</i>	381,558	263,059
		<u>381,838</u>	<u>861,209</u>
Net current (liabilities) assets		<u>(368,568)</u>	<u>29,796</u>
Net assets		<u><u>1,165,558</u></u>	<u><u>1,182,118</u></u>
Capital and reserves			
Share capital	<i>29</i>	233,345	191,104
Reserves	<i>30</i>	932,213	991,014
Shareholders' funds		<u><u>1,165,558</u></u>	<u><u>1,182,118</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the year ended 31 December 2004*

	<i>HK\$'000</i>
At 1 January 2003	1,579,216
Exchange differences arising on translation of financial statements of overseas operations not recognised in the consolidated income statement	(602)
Addition to general reserves	483
Issue of new shares	6,160
Premium arising on issue of shares	38,457
Reserves realised on disposal of subsidiaries	(126)
Reserves realised on partial disposal of a subsidiary	(654)
Reserves realised on disposal of an associate	(8,855)
Net profit for the year	629,935
Dividends	<u>(57,276)</u>
At 31 December 2003	2,186,738
Exchange differences arising on translation of financial statements of overseas operations not recognised in the consolidated income statement	(2,017)
Issue of new shares	3,935
Premium arising on issue of shares	19,275
Reserves realised on partial disposal of interests in subsidiaries	(297)
Net profit for the year	314,477
Dividends	<u>(92,241)</u>
At 31 December 2004	<u><u>2,429,870</u></u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)
OPERATING ACTIVITIES		
Profit before taxation	505,274	805,247
Adjustment for:		
Share of results of associates	(26,482)	(5,981)
Interest income	(16,461)	(13,372)
Interest expense	26,243	10,355
Dividend income	–	(647)
Gain on disposal of subsidiaries	(90,705)	(293,817)
Impairment loss recognised in respect of investments in securities	25,000	–
Loss on deemed disposal arising from dilution of interest in a subsidiary	3,266	–
Loss on deemed disposal arising from dilution of interest in an associate	432	–
Gain on disposal of associates	–	(133,209)
Release of deferred gain on disposal of a subsidiary	–	(77,000)
Gain on partial disposal of an associate	–	(2,677)
Amortisation of direct issuance costs of guaranteed senior notes	1,270	–
Amortisation of goodwill	4,090	3,940
Amortisation of intangible asset	502	373
Amortisation of premium payable on redemption of convertible bonds	6,972	–
Release of negative goodwill	(2,479)	(2,244)
Depreciation and amortisation of property, plant and equipment	52,386	34,033
(Gain) loss on disposal of property, plant and equipment	(123)	10,033
Holding loss on investments in securities	–	2,307
Unrealised holding (gain) loss on investments in securities	(754)	36
Unrealised holding gain on commodity derivatives	(907)	–
Operating cash flows before movements in working capital	487,524	337,377
(Increase) decrease in stock of properties	(449,846)	37,687
Decrease (increase) in inventories	14,767	(11,346)
Decrease (increase) in trade and other receivables	253,050	(308,018)
Decrease in trade and other payables	(2,050)	(9,651)
Cash generated from operations	303,445	46,049
Interest paid	(61,217)	(41,480)
Income taxes paid	(21,071)	(15,322)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	221,157	(10,753)

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(487,373)	(206,042)
Investment in associates		(299,334)	(112,056)
Acquisition of additional interest in subsidiaries		(1,151)	(994)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	<i>31</i>	635,592	(15,173)
Proceeds from partial disposal of interests in subsidiaries		157,685	600,532
Repayment from an associate		75,000	159,773
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	<i>32</i>	52,475	14,842
Proceeds from redemption of unlisted debt securities		50,000	–
Interest received		16,461	12,552
Advances to minority shareholders		11,246	30,030
Proceeds from disposal of investments in securities		11,068	10,913
Proceeds from disposal of property, plant and equipment		10,253	7,255
Purchase of investments in securities		–	(80,145)
Purchase of intangible asset		–	(10,035)
Disposal of associates		–	93,545
Redemption of convertible bonds		–	66,000
Dividend received		–	647
Redemption of PRC bonds		–	187
NET CASH FROM INVESTING ACTIVITIES		<u>231,922</u>	<u>571,831</u>
FINANCING ACTIVITIES			
Net proceeds from issue of guaranteed senior notes		1,523,440	–
New bank and other loans raised		382,086	26,887
Capital contributions from minority shareholders of subsidiaries		50,630	–
Proceeds from issue of shares		23,210	3,817
Dividends paid		(92,241)	(57,276)
Repayment of exchangeable notes		(62,500)	–
Dividends paid to minority shareholders of subsidiaries		(31,782)	(4,319)
Repayment to minority shareholders		(5,964)	(17,014)
Net proceeds from issue of convertible bonds		–	374,917
Decrease in amount due from minority shareholders		–	23,792
Repayment of bank and other loans		–	(73,050)
NET CASH FROM FINANCING ACTIVITIES		<u>1,786,879</u>	<u>277,754</u>
INCREASE IN CASH AND CASH EQUIVALENTS		2,239,958	838,832
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,309,473	470,641
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		<u>(3,175)</u>	<u>–</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH		<u><u>3,546,256</u></u>	<u><u>1,309,473</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

1. GENERAL

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

The principal activities of the Group are property development, sale and distribution of liquefied petroleum gas and natural gas ("gas fuel") and construction of gas pipelines and supply of electricity operation.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") (herein collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. PRIOR PERIOD ADJUSTMENTS

Pursuant to the agreement dated 4 December 2003 in relation to the placing of certain shares in a subsidiary, Panva Gas Holdings Limited ("Panva Gas"), a gain on partial disposal has been recognised in the consolidated income statement for the year ended 31 December 2003. The entire sale proceeds of the placing of shares was then applied for the subscription of the same amount of shares which was approved on 5 January 2004. Subsequently, the board of directors considered that these transactions should be accounted for as one transaction in view of their nature. Accordingly, it resulted in an adjustment to reduce net profit for the year ended 31 December 2003 amounted to approximately HK\$148,115,000 with a corresponding reduction of the opening balance of the accumulated profits as at 1 January 2004. In addition, the Group's other reserves and minority interests as at 31 December 2003 were increased by approximately HK\$1,178,000 and HK\$169,952,000 respectively while the trade and other payables as at 31 December 2003 was decreased by approximately HK\$23,015,000. The effect of such change had no significant impact on the net profit for the year ended 31 December 2004.

In addition, an adjustment has been made to reduce goodwill arising on the conversion of convertible note into the shares of Panva Gas and other payables of approximately HK\$63,108,000 as at 31 December 2003.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

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

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

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

Goodwill arising on acquisition on or after 1 January 2001 is capitalised and amortised on a straight line basis over its useful economic life, generally not exceeding twenty years. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

Negative goodwill

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

Negative goodwill arising on acquisition prior to 1 January 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary or associate.

Negative goodwill arising on acquisition on or after 1 January 2001 is presented as a deduction from assets and is released to income based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised as income immediately.

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets. Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate.

Investments in subsidiaries

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

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus goodwill or less negative goodwill in so far as it has not already been written off, amortised or released to income, less any identified impairment loss.

When the Group transacts with an associate, unrealised profits are eliminated to the extent of the Group's interest in the relevant associate. Unrealised losses are eliminated to the extent of the Group's interest in the relevant associate, except where the transaction provides evidence of an impairment of the asset transferred.

Recognition of revenue*Development properties*

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

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

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

Sales of electricity supply

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

Gas pipelines construction revenue

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

Sales of goods

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

Income from property management services

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

Rental income

Rental income, including rental invoiced in advance under operating leases, is recognised on a straight line basis over the period of the leases.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the rate applicable.

Dividend income

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

Property, plant and equipment

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

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

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

Depreciation and amortisation is provided to write off the cost or valuation of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into consideration of their estimated residual values, using the straight line method, at the following rates per annum:

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Construction in progress

Construction in progress, which includes all development expenditure and other direct costs, including interest expenses attributable to such projects, is stated at cost less any accumulated impairment losses. It is not depreciated until completion of construction. Costs on completed construction works are transferred to other categories of property, plant and equipment.

Exclusive operating right for city pipeline network

Exclusive operating right for city pipeline network is stated at cost less accumulated amortisation and any identified impairment loss. The cost incurred for the acquisition of exclusive operating right is capitalised and amortised on a straight line basis over the estimated useful life of twenty years.

Investments in securities

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

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair values, with unrealised gains and losses included in net profit or loss for the year.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the impairment loss is treated as a revaluation decrease under that Standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another Standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that Standard.

Stock of properties

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

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

Construction contracts

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

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

Interest rate swaps

Interest rate swaps of the Group are used for hedging purpose. To qualify as a hedge, the interest rate swap must effectively reduce the interest rate risk of the underlying asset or liability to which it is linked and be designated as a hedge at inception of the contract.

Net interest arising from interest rate swaps is accounted for on an accrual basis and are included in the related category of income and expense in the income statement on the same basis as that arising from the underlying hedging transactions.

Commodity derivatives

The Group engages in activities using derivatives related to fuel oil prices; these activities are not formally designated as hedges, and, as such, are accounted for as financial instruments held-for-trading.

Derivatives are initially measured at cost including associated transaction costs. Subsequently, these instruments are remeasured to their fair value.

Commodity derivative contracts are marked-to-market at each balance sheet date, and any changes in their fair values are included in gains or losses on derivative financial instruments.

Convertible bonds

Convertible bonds are regarded as liabilities until conversion actually occurs. The finance cost, including the premium payable upon the final redemption of the convertible bonds, is recognised in the income statement so as to produce a constant periodic rate of charge on the remaining balance of the convertible bonds for each accounting period.

Guaranteed senior notes

Guaranteed senior notes are recorded at the proceeds received, net of direct issue costs. The direct cost incurred in connection with the issue of guaranteed senior notes are deferred and amortised on a straight line basis over the lives of the guaranteed senior notes from the date of issue to the final maturity date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Capitalisation of borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

Operating leases

Rental payable under operating leases are charged to income statement on a straight line basis over the terms of the respective leases.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expense in the period in which the operation is disposed of.

Retirement benefits costs

Payments to the Group's defined contribution retirement benefit scheme, state-sponsored retirement plans and Mandatory Provident Fund Scheme ("MPF Scheme") are charged as expenses as they fall due.

5. BUSINESS AND GEOGRAPHICAL SEGMENTS**(A) Business segments**

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

Property development	– sales of completed properties/development properties
Gas fuel business	– wholesaling and retailing of gas fuel and the construction of gas pipelines
Electricity supplies	– sales of electricity
Others	– property management services

Segment information about these businesses is presented below.

For the year ended 31 December 2004

	Property development <i>HK\$'000</i>	Gas fuel business <i>HK\$'000</i>	Electricity supplies <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER						
External sales	478,277	1,800,253	99,857	28,001	–	2,406,388
Inter-segment sales	–	–	–	1,684	(1,684)	–
	<u>478,277</u>	<u>1,800,253</u>	<u>99,857</u>	<u>29,685</u>	<u>(1,684)</u>	<u>2,406,388</u>
RESULT						
Segment result	<u>109,828</u>	<u>355,331</u>	<u>15,395</u>	<u>4,974</u>	<u>–</u>	<u>485,528</u>
Other operating income						33,566
Unallocated corporate expenses						<u>(89,973)</u>
Profit from operations						429,121
Finance costs						<u>(34,721)</u>
Gain on disposal of subsidiaries	3,898	86,807	–	–	–	90,705
Loss on deemed disposal arising from dilution of interest in a subsidiary	–	(3,266)	–	–	–	<u>(3,266)</u>
Loss on deemed disposal arising from dilution of interest in an associate	–	–	(432)	–	–	<u>(432)</u>
Share of results of associates	–	83	26,399	–	–	26,482
Amortisation of goodwill of associates	–	(118)	(2,497)	–	–	<u>(2,615)</u>
Profit before taxation						505,274
Taxation						<u>(39,385)</u>
Profit before minority interests						465,889
Minority interests						<u>(151,412)</u>
Net profit for the year						<u><u>314,477</u></u>

Inter-segment sales are charged at prevailing market prices.

At 31 December 2004

	Property development <i>HK\$'000</i>	Gas fuel business <i>HK\$'000</i>	Electricity supplies <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS					
Segment assets	2,222,659	2,114,241	1,704,461	9,266	6,050,627
Interests in associates	–	70,677	–	–	70,677
Unallocated corporate assets					<u>3,370,759</u>
Consolidated total assets					<u><u>9,492,063</u></u>
LIABILITIES					
Segment liabilities	384,425	155,519	133,686	6,702	680,332
Borrowings	1,125,612	1,950,424	1,305,665	–	4,381,701
Unallocated corporate liabilities					<u>111,715</u>
Consolidated total liabilities					<u><u>5,173,748</u></u>
OTHER INFORMATION					
Capital additions	13,162	489,180	1,264,379	1,795	1,768,516
Intangible asset additions	–	8,951	151,705	–	160,656
Depreciation and amortisation	<u>9,132</u>	<u>40,424</u>	<u>6,942</u>	<u>362</u>	<u><u>56,978</u></u>

For the year ended 31 December 2003

	Property development HK\$'000	Gas fuel business HK\$'000	Electricity supplies HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER						
External sales	330,979	1,457,632	–	26,745	–	1,815,356
Inter-segment sales	–	–	–	9,542	(9,542)	–
	<u>330,979</u>	<u>1,457,632</u>	<u>–</u>	<u>36,287</u>	<u>(9,542)</u>	<u>1,815,356</u>
RESULT						
Segment result	<u>26,625</u>	<u>291,848</u>	<u>–</u>	<u>5,549</u>	<u>–</u>	<u>324,022</u>
Other operating income						25,511
Unallocated corporate expenses						<u>(43,616)</u>
Profit from operations						305,917
Finance costs						<u>(10,630)</u>
Gain on disposal of subsidiaries	(94)	306,598	–	(12,687)	–	293,817
Release of deferred gain on disposal of a subsidiary	–	–	77,000	–	–	77,000
Gain on disposal of associates	–	–	133,209	–	–	133,209
Gain on partial disposal of an associate	–	–	2,677	–	–	2,677
Amortisation of goodwill of an associate	–	–	(2,724)	–	–	<u>(2,724)</u>
Share of results of associates	–	–	5,981	–	–	<u>5,981</u>
Profit before taxation						805,247
Taxation						<u>(48,654)</u>
Profit before minority interests						756,593
Minority interests						<u>(126,658)</u>
Net profit for the year						<u><u>629,935</u></u>

Inter-segment sales are charged at prevailing market prices.

At 31 December 2003

	Property development <i>HK\$'000</i>	Gas fuel business <i>HK\$'000</i>	Electricity supplies <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS					
Segment assets	1,993,050	2,103,802	–	92,762	4,189,614
Interest in associates	–	–	184,552	–	184,552
Unallocated corporate assets					317,430
Consolidated total assets					<u>4,691,596</u>
LIABILITIES					
Segment liabilities	166,766	151,185	–	5,820	323,771
Borrowings	823,621	411,090	–	–	1,234,711
Unallocated corporate liabilities					71,820
Consolidated total liabilities					<u>1,630,302</u>
OTHER INFORMATION					
Capital additions	15,478	273,359	–	59	288,896
Intangible asset additions	–	10,035	–	–	10,035
Depreciation and amortisation	<u>12,071</u>	<u>23,142</u>	<u>2,724</u>	<u>409</u>	<u>38,346</u>

(B) Geographical segments

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

6. OTHER OPERATING INCOME

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Interest income	16,461	13,372
Dividend income	–	647
Gain on disposal of property, plant and equipment	123	–
Net exchange gain	2,249	1,162
Release of negative goodwill	2,479	2,244
Rental income	3,722	2,608
Unrealised holding gain on commodity derivatives	907	–
Unrealised holding gain on investments in securities	754	–
Sundry	6,871	5,478
	<u>33,566</u>	<u>25,511</u>

7. PROFIT FROM OPERATIONS

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Amortisation of goodwill (included under administrative expenses)	1,475	1,216
Amortisation of intangible asset (included under administrative expenses)	502	373
Auditors' remuneration	2,380	2,345
Cost of inventories recognised as an expense	1,349,689	1,023,290
Depreciation and amortisation of property, plant and equipment	52,386	34,033
Impairment loss recognised in respect of investments in securities (included under other operating expenses)	25,000	–
Loss on disposal of property, plant and equipment	–	10,033
Operating lease rentals in respect of land and buildings	8,211	9,543
Realised holding loss on investments in securities	–	2,307
Staff costs including directors' remuneration	97,086	82,863
Unrealised holding loss on investments in securities	–	36
	<u> </u>	<u> </u>

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' emoluments:		
Fees	269	300
Other directors' emoluments		
Salaries and other emoluments benefits	9,709	8,303
Discretionary bonuses	–	900
Contributions to retirement benefits scheme	104	125
	<u> </u>	<u> </u>
	<u>10,082</u>	<u>9,628</u>

The amounts disclosed above include directors' fees of HK\$269,000 (2003: HK\$300,000) payable to independent non-executive directors. No other emoluments were payable to independent non-executive directors.

The emoluments of the directors were within the following bands:

	Number of individuals	
	2004	2003
Nil – HK\$1,000,000	5	4
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$2,000,001 – HK\$2,500,000	2	1
HK\$4,000,001 – HK\$4,500,000	1	1
	<u> </u>	<u> </u>

Employees' emoluments:

Of the five individuals with the highest emoluments in the Group, four (2003: four) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining individual were as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	724	707
Contributions to retirement benefits scheme	23	19
	<u>747</u>	<u>726</u>

9. FINANCE COSTS

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on		
Bank and other borrowings wholly repayable within five years	58,547	37,790
Bank and other borrowings not wholly repayable within five years	36,967	5,892
Amortisation of premium payable on redemption of convertible bonds	6,972	–
Amortisation of direct issuance costs of guaranteed senior notes	1,270	–
	<u>103,756</u>	<u>43,682</u>
Net interest receivable on interest rate swaps	(26,239)	–
	77,517	43,682
Less: Amount capitalised to properties under development for sale	(41,438)	(33,327)
Amount capitalised to construction in progress	(1,594)	–
	<u>34,485</u>	<u>10,355</u>
Bank charges	236	275
	<u>34,721</u>	<u>10,630</u>

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.2% (2003: 4.8%) to expenditure on qualifying assets.

10. GAIN ON DISPOSAL OF SUBSIDIARIES

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Gain on partial disposal of interests in subsidiaries	87,181	307,386
Gain (loss) on disposal of subsidiaries	3,524	(13,569)
	<u>90,705</u>	<u>293,817</u>

11. TAXATION

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

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

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

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

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Profit before taxation (excluding share of results of associates)	<u>478,792</u>	<u>799,266</u>
Tax at the applicable tax rate of 33% (2003: 33%)	158,001	263,758
Tax effect of tax losses not recognised	1,975	5,392
Tax effect of expenses not deductible for tax purpose	23,246	11,318
Tax effect of income that is exempted from PRC enterprise income tax and other regions outside Hong Kong in determining taxable profit	(105,834)	(183,707)
Effect of different tax rates of subsidiaries entitled to a 50% reduction in PRC enterprise income tax rates and operating in different provinces	<u>(38,003)</u>	<u>(51,106)</u>
	39,385	45,655
Share taxation of an associate	<u>—</u>	<u>2,999</u>
Taxation for the year	<u>39,385</u>	<u>48,654</u>

At the balance sheet date, the Group has estimated unused tax losses of HK\$49,559,000 (2003: HK\$43,304,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Such unrecognised tax losses will be carried forward for five years from date of origination.

12. DIVIDENDS

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Ordinary shares:		
Interim, paid – HK\$0.015 (2003: HK\$0.03) per share	34,781	57,276
Final, proposed – HK\$0.03 (2003: HK\$0.03) per share	70,353	57,460
	<u>105,134</u>	<u>114,736</u>

The final dividend of HK\$0.03 per share (2003: HK\$0.03 per share and a bonus issue of shares on the basis of two bonus shares for every ten existing shares held by shareholders) has been proposed by the directors and is subject to approval by the shareholders in general meeting.

13. EARNINGS PER SHARE

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

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Earnings for the purposes of basic earnings per share	314,477	629,935
Effect of dilutive potential shares:		
Interest on convertible note	–	489
Adjustment to the share of results of subsidiaries based on dilution of their earnings per share	(14,560)	–
Earnings for the purposes of diluted earnings per share	<u>299,917</u>	<u>630,424</u>
	Number of shares	
Weighted average number of shares for the purposes of basic earnings per share	2,310,631,000	2,238,058,000
Effect of dilutive potential ordinary shares:		
Options	18,909,000	4,959,000
Convertible note	–	46,277,000
Weighted average number of shares for the purposes of diluted earnings per share	<u>2,329,540,000</u>	<u>2,289,294,000</u>

The weighted average number of shares for the purposes of basic and diluted earnings per share for 2003, and the comparative figures of basic and diluted earnings per share have been restated to take into account the effect of the two-for-ten bonus issue of shares during the year ended 31 December 2004.

The computation of diluted earnings per share in 2003 did not assume the exercise of the Company's outstanding share warrants as the exercise price of those warrants is higher than the average market price for the Company's shares for 2003.

The computation of diluted earnings per share in 2003 did not assume the conversion of the outstanding convertible bonds issued by Panva Gas as the conversion of those convertible bonds is anti-dilutive.

The adjustment to comparative basic and diluted earnings per share arising from the prior period adjustments is as follows:

	Basic <i>HK cents</i>	Diluted <i>HK cents</i>
Reconciliation of 2003 earnings per share:		
Reported figures before adjustments	41.72	40.81
Prior period adjustments	(7.94)	(7.76)
	<hr/>	<hr/>
Effect of the two-for-ten bonus issue of shares	33.78 (5.63)	33.05 (5.51)
	<hr/>	<hr/>
Restated	<u>28.15</u>	<u>27.54</u>

14. PROPERTY, PLANT AND EQUIPMENT

	Medium term leasehold land and buildings in the PRC HK\$'000	Construction in progress HK\$'000	Furniture, fixtures and equipment HK\$'000	Gas pipelines HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Total HK\$'000
THE GROUP							
COST OR VALUATION							
At 1 January 2004	147,093	54,053	42,429	346,481	34,957	155,032	780,045
On acquisition of subsidiaries	132,306	70,741	2,455	173,854	3,338	896,855	1,279,549
Additions	9,957	460,161	9,261	–	7,341	2,247	488,967
Disposals	(10,443)	–	(1,046)	(629)	(3,509)	(1,040)	(16,667)
On disposal of subsidiaries	–	–	(27)	–	(90)	(139)	(256)
Transfer	530	(301,358)	(31)	300,714	–	145	–
At 31 December 2004	279,443	283,597	53,041	820,420	42,037	1,053,100	2,531,638
Comprising:							
At cost	–	283,597	53,041	820,420	42,037	1,053,100	2,252,195
At valuation – 2004	279,443	–	–	–	–	–	279,443
	279,443	283,597	53,041	820,420	42,037	1,053,100	2,531,638
DEPRECIATION AND AMORTISATION							
At 1 January 2004	23,973	–	24,334	11,903	14,774	36,658	111,642
Provided for the year	7,901	–	6,296	20,371	4,711	13,107	52,386
Eliminated on disposals	(2,806)	–	(665)	(5)	(2,693)	(368)	(6,537)
Eliminated on disposal of subsidiaries	–	–	(8)	–	(60)	(39)	(107)
At 31 December 2004	29,068	–	29,957	32,269	16,732	49,358	157,384
NET BOOK VALUES							
At 31 December 2004	<u>250,375</u>	<u>283,597</u>	<u>23,084</u>	<u>788,151</u>	<u>25,305</u>	<u>1,003,742</u>	<u>2,374,254</u>
At 31 December 2003	<u>123,120</u>	<u>54,053</u>	<u>18,095</u>	<u>334,578</u>	<u>20,183</u>	<u>118,374</u>	<u>668,403</u>

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

No professional valuation of the leasehold land and buildings was carried out at 31 December 2004 as, in the opinion of the directors, the carrying value of the leasehold land and buildings was not materially different from the open market value at 31 January 2001.

If the leasehold land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation and amortisation of HK\$246,776,000 (2003: HK\$117,782,000).

	Furniture, fixtures and equipment <i>HK\$'000</i>
THE COMPANY	
COST	
At 1 January 2004	965
Additions	1,795
	<hr/>
At 31 December 2004	2,760
DEPRECIATION	
At 1 January 2004	731
Provided for the year	363
	<hr/>
At 31 December 2004	1,094
NET BOOK VALUES	
At 31 December 2004	1,666
	<hr/> <hr/>
At 31 December 2003	234
	<hr/> <hr/>
15. INTANGIBLE ASSET	

	THE GROUP Exclusive operating right for city pipeline network <i>HK\$'000</i>
COST	
At 1 January 2004 and at 31 December 2004	10,035
	<hr/>
AMORTISATION	
At 1 January 2004	373
Provide for the year	502
	<hr/>
At 31 December 2004	875
NET BOOK VALUES	
At 31 December 2004	9,160
	<hr/> <hr/>
At 31 December 2003	9,662
	<hr/> <hr/>

The Group's exclusive operating right for city pipeline network is amortised on a straight line basis over its estimated useful life of twenty years.

16. GOODWILL

THE GROUP
HK\$'000

COST	
At 1 January 2004	
– as previously reported	87,627
– prior period adjustments (<i>note 3</i>)	(63,108)
	<hr/>
– as restated	24,519
Arising on acquisition of subsidiaries	160,656
Eliminated on partial disposal of interest in a subsidiary	(634)
	<hr/>
At 31 December 2004	184,541
	<hr/>
AMORTISATION	
At 1 January 2004	3,076
Provided for the year	1,475
Eliminated on partial disposal of interest in a subsidiary	(130)
	<hr/>
At 31 December 2004	4,421
	<hr/>
NET BOOK VALUES	
At 31 December 2004	180,120
	<hr/> <hr/>
At 31 December 2003	21,443
	<hr/> <hr/>

The goodwill, which arose from acquisition of subsidiaries, is amortised on a straight line basis over its estimated useful life of twenty years.

17. NEGATIVE GOODWILL

	THE GROUP <i>HK\$'000</i>
GROSS AMOUNT	
At 1 January 2004	18,569
Arising on acquisition of subsidiaries	22,646
Arising on acquisition of additional interest in a subsidiary	321
	<hr/>
At 31 December 2004	41,536
	<hr/>
RELEASED TO INCOME	
At 1 January 2004	547
Released during the year	864
	<hr/>
At 31 December 2004	1,411
	<hr/>
CARRYING AMOUNT	
At 31 December 2004	40,125
	<hr/> <hr/>
At 31 December 2003	18,022
	<hr/> <hr/>

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

18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed shares, at cost	398,716	–
Unlisted shares, at cost	670,174	670,174
	<hr/>	<hr/>
	1,068,890	670,174
Amounts due from subsidiaries	463,570	235,323
	<hr/>	<hr/>
	1,532,460	905,497
	<hr/> <hr/>	<hr/> <hr/>
Market value of listed shares	354,571	–
	<hr/> <hr/>	<hr/> <hr/>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, the amounts are unlikely to be repaid to the Company within one year and are therefore shown in the balance sheet as non-current.

Particulars of the Company's principal subsidiaries at 31 December 2004 are set out in note 42.

19. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Listed shares, at cost	–	–	–	246,591
Share of net assets	35,377	156,421	–	–
Goodwill on acquisition of an associate (<i>Note</i>)	35,300	49,942	–	–
Negative goodwill on acquisition of an associate (<i>Note</i>)	–	(21,811)	–	–
	<u>70,677</u>	<u>184,552</u>	<u>–</u>	<u>246,591</u>

The market value of the listed associate attributable to the Group as at 31 December 2003 amounted to HK\$138,801,000.

Details of the Group's principal associate as at 31 December 2004 are as follows:

Name of associate	Place of establishment and operation	Percentage of equity interest attributable to the Group	Principal activities
Foshan the Panva Gas Group Ltd.	PRC – Sino-foreign equity joint venture	45%	Provision of liquefied petroleum gas (“LP Gas”) and related services and gas pipeline construction

Note:

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

	Goodwill <i>HK\$'000</i>	Negative goodwill <i>HK\$'000</i>
COST		
At 1 January 2004	54,482	(22,759)
Arising from acquisition of an associate	35,418	(17,173)
Transfer	(54,482)	39,932
	<u>35,418</u>	<u> </u>
At 31 December 2004	<u>35,418</u>	<u> </u>
AMORTISATION/RELEASED TO INCOME		
At 1 January 2004	4,540	948
Provided for/released during the year	2,615	1,615
Transfer	(7,037)	(2,563)
	<u>118</u>	<u> </u>
At 31 December 2004	<u>118</u>	<u> </u>
NET BOOK VALUES		
At 31 December 2004	<u>35,300</u>	<u> </u>
At 31 December 2003	<u>49,942</u>	<u>(21,811)</u>

The goodwill is amortised on a straight line basis over its estimated useful economic life of twenty years. The negative goodwill is released to income on a straight line basis of twenty years, being the remaining weighted average useful life of the depreciable assets acquired.

20. INVESTMENTS IN SECURITIES

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted debt securities	–	50,000	–	50,000
Investment securities				
Unlisted shares, at cost	169,613	82,906	–	–
Club debentures, at cost	1,486	1,011	–	–
	171,099	83,917	–	–
Less: Impairment loss recognised	(25,000)	–	–	–
	146,099	83,917	–	–
Other investments, at market value				
Listed shares	6,590	126	–	–
Managed funds	42,986	–	–	–
	49,576	126	–	–
	<u>195,675</u>	<u>134,043</u>	<u>–</u>	<u>–</u>
Carrying amount analysed for reporting purposes				
Non-current	146,099	83,917	–	–
Current	49,576	50,126	–	50,000
	<u>195,675</u>	<u>134,043</u>	<u>–</u>	<u>50,000</u>

During the year, the directors reviewed the carrying amounts of investments in securities and identified that they were impaired. Accordingly, impairment loss of HK\$25,000,000 was recognised in the financial statements to write down the carrying amount of the investment with reference to the recent share subscription transactions of the investee company.

21. STOCK OF PROPERTIES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Properties under development for sale		
Cost plus attributable profits less foreseeable losses	2,383,939	1,478,668
Less: Sales proceeds received	<u>(375,587)</u>	<u>–</u>
	2,008,352	1,478,668
Stock of unsold properties	<u>74,263</u>	<u>161,326</u>
	<u><u>2,082,615</u></u>	<u><u>1,639,994</u></u>

Stock of properties were stated at cost. Included in the stock of properties is interest capitalised of HK\$150,354,000 (2003: HK\$119,132,000).

22. INVENTORIES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gas fuel	14,430	23,442
Fuel oil	62,367	–
Consumable stores	<u>25,305</u>	<u>12,975</u>
	<u><u>102,102</u></u>	<u><u>36,417</u></u>

All inventories were stated at cost.

23. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing average credit terms ranging from 0 to 180 days to its customers. Included in trade and other receivables are trade receivables of HK\$306,885,000 (2003: HK\$193,176,000), the aged analysis of which is as follows:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Aged:		
0 to 90 days	303,752	136,789
91 to 180 days	841	47,109
181 to 360 days	1,798	3,743
over 360 days	<u>494</u>	<u>5,535</u>
	<u><u>306,885</u></u>	<u><u>193,176</u></u>

24. AMOUNTS DUE FROM/TO MINORITY SHAREHOLDERS

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

25. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$105,381,000 (2003: HK\$126,235,000), the aged analysis of which is as follows:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Aged:		
0 to 90 days	74,595	108,256
91 to 180 days	6,482	2,203
181 to 360 days	9,258	1,836
over 360 days	15,046	13,940
	<u>105,381</u>	<u>126,235</u>

26. AMOUNTS DUE TO SUBSIDIARIES

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

27. BORROWINGS

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans		
– secured	598,485	219,953
– unsecured	1,666,410	516,770
Other loans – unsecured	150,608	972
Exchangeable note (<i>Note a</i>)	62,500	125,000
Convertible bonds (<i>Note b</i>)	378,988	372,016
Guaranteed senior notes (<i>Note c</i>)	1,524,710	–
	<u>4,381,701</u>	<u>1,234,711</u>

The maturity of the above borrowings is as follows:

On demand or within one year	811,559	669,056
More than one year but not exceeding two years	975,392	191,020
More than two years but not exceeding five years	1,029,722	374,635
More than five years	1,565,028	–
	<u>4,381,701</u>	<u>1,234,711</u>
Less: Amount due within one year shown under current liabilities	<u>(811,559)</u>	<u>(669,056)</u>
Amount due after one year	<u>3,570,142</u>	<u>565,655</u>

Notes:

- (a) The amount in 2003 represented HK\$125,000,000 exchangeable note exchangeable into shares of Panva Gas issued by a subsidiary of the Company. During the year, a principal amount of HK\$62,500,000 of the exchangeable note was repaid upon maturity and the remaining principal amount of HK\$62,500,000 was replaced by the issuance of another new HK\$62,500,000 exchangeable note with maturity on 30 October 2006. The new exchangeable note will be exchangeable into shares of Panva Gas from the date of issue up to the second anniversary of the date of issue on 30 October 2006. Interest is payable at 2% per annum.
- (b) The convertible bonds were issued on 23 April 2003 by a subsidiary of the Company. The bonds are convertible into shares of Panva Gas on or after 7 June 2004 and up to 9 April 2008. The outstanding unconverted principal amount of the bonds will be redeemed on 23 April 2008 at 108.119%. Interest is payable at 2% per annum.
- (c) The Group issued US\$200,000,000 8.25% guaranteed senior notes due 2011 (the "Guaranteed Senior Notes") on 23 September 2004. The Guaranteed Senior Notes are listed on the Singapore Exchange Securities Trading Limited. The Guaranteed Senior Notes bear interest at 8.25% per annum, payable semi-annually in arrears. At any time prior to 23 September 2007, the Group may redeem up to 35% of the principal amount of the Guaranteed Senior Notes at a redemption price of 108.25% of the principal amount of the Guaranteed Senior Notes, plus accrued and unpaid interest, if any, to the redemption date.

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guaranteed Senior Notes	1,559,000	–
Less: Direct issuance costs (<i>Note 28</i>)	(34,290)	–
	<u>1,524,710</u>	<u>–</u>

- (d) The bank and other loans carry interest at the prevailing market rates.

28. DIRECT ISSUANCE COSTS OF GUARANTEED SENIOR NOTES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Direct issuance costs incurred during the year	35,560	–
Less: Amortisation for the year	(1,270)	–
Balance at end of the year	<u>34,290</u>	<u>–</u>

The amount represents direct issuance costs incurred in relation to the Guaranteed Senior Notes as explained in note 27, as reduced by subsequent amortisation. The direct issuance costs are amortised on a straight line basis over the lives of the Guaranteed Senior Notes from the date of issue to their final maturity date.

29. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Shares of HK\$0.10 each		
<i>Authorised:</i>		
At 1 January 2003, 31 December 2003 and 31 December 2004	<u>4,800,000,000</u>	<u>480,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2003	1,849,437,000	184,944
Issue of shares on conversion of convertible note	51,000,000	5,100
Issue of shares on the exercise of share options	10,571,000	1,057
Issue of shares on the exercise of warrants	<u>27,200</u>	<u>3</u>
At 31 December 2003	1,911,035,200	191,104
Bonus issue of shares	383,067,040	38,306
Issue of shares on the exercise of share options	<u>39,350,000</u>	<u>3,935</u>
At 31 December 2004	<u>2,333,452,240</u>	<u>233,345</u>

Changes in share capital of the Company during the year ended 31 December 2003 are as follows:

- (a) On 26 March 2003, a convertible note of HK\$40,800,000 was converted into 51,000,000 shares of HK\$0.10 each in the Company at the price of HK\$0.80.
- (b) During the year, the Company allotted and issued a total of 7,051,000, 3,300,000 and 220,000 shares of HK\$0.10 each for cash at the exercise prices of HK\$0.33, HK\$0.41 and HK\$0.50 per share respectively as a result of the exercise of share options.
- (c) The Company allotted and issued a total of 27,200 shares of HK\$0.10 each for cash at the subscription price of HK\$1.00 per share as a result of the exercise of warrants.

All shares issued in 2003 rank pari passu in all respects with the then existing shares in issue.

Changes in the share capital of the Company during the current year are as follows:

- (d) Pursuant to an ordinary resolution passed in the annual general meeting of the Company held on 25 May 2004, a bonus issue of shares on the basis of two bonus shares for every ten existing shares then held by shareholders on 24 May 2004 was approved. As a result of the bonus issue of shares, the Company allotted and issued 383,067,040 new shares of HK\$0.10 each, credited as fully paid at par, by the capitalisation of HK\$38,306,704 from the share premium account.
- (e) During the year and prior to the bonus issue of shares as explained above, as a result of the exercise of share options, the Company allotted and issued a total of 4,300,000 shares of HK\$0.10 each for cash at the exercise prices of HK\$0.67 per share. Subsequent to the two-for-ten bonus issue of shares and until 31 December 2004, the Company further allotted and issued a total of 660,000, 29,960,000 and 4,430,000 shares of HK\$0.10 each for cash at the exercise prices of HK\$0.28, HK\$0.56 and HK\$0.76 per share respectively.

Save for the 383,067,040 new shares issued pursuant to the bonus issue of shares (referred to in (d) above), which did not rank for and not be entitled to the final dividend for the year ended 31 December 2003 of the Company, all shares issued in (d) and (e) above rank pari passu in all respects with the then existing shares in issue.

30. RESERVES

	Share premium HK\$'000	Asset revaluation reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	General reserves HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE GROUP									
At 1 January 2003	332,402	8,851	(6,215)	2,591	60,031	781	367,782	628,049	1,394,272
Exchange differences arising on translation of financial statements of overseas operations	-	-	(724)	-	-	-	-	-	(724)
Premium arising on issue of shares	38,457	-	-	-	-	-	-	-	38,457
Addition during the year	-	-	122	-	483	-	-	-	605
Realised on disposal of subsidiaries	-	(64)	(19)	-	(75)	32	-	-	(126)
Realised on partial disposal of a subsidiary	-	(335)	87	41	(295)	(152)	-	-	(654)
Realised on disposal of an associate	-	(5,323)	(309)	-	(3,165)	(58)	-	-	(8,855)
Transfer	-	-	-	-	958	-	-	(958)	-
Net profit for the year	-	-	-	-	-	-	-	629,935	629,935
Dividend	-	-	-	-	-	-	-	(57,276)	(57,276)
At 31 December 2003 - as restated	<u>370,859</u>	<u>3,129</u>	<u>(7,058)</u>	<u>2,632</u>	<u>57,937</u>	<u>603</u>	<u>367,782</u>	<u>1,199,750</u>	<u>1,995,634</u>
At 31 December 2003 - as previously reported	370,859	2,470	(6,885)	2,672	57,354	454	367,782	1,347,865	2,142,571
- prior period adjustments (note 3)	-	659	(173)	(40)	583	149	-	(148,115)	(146,937)
- as restated	<u>370,859</u>	<u>3,129</u>	<u>(7,058)</u>	<u>2,632</u>	<u>57,937</u>	<u>603</u>	<u>367,782</u>	<u>1,199,750</u>	<u>1,995,634</u>
Exchange differences arising on translation of financial statements of overseas operations	-	-	(2,017)	-	-	-	-	-	(2,017)
Premium arising on issue of shares	19,275	-	-	-	-	-	-	-	19,275
Capitalisation of share premium for the bonus issue of shares	(38,306)	-	-	-	-	-	-	-	(38,306)
Realised on partial disposal of interests in subsidiaries	-	(248)	227	-	(219)	(57)	-	-	(297)
Transfer	-	-	-	-	8,456	-	-	(8,456)	-
Net profit for the year	-	-	-	-	-	-	-	314,477	314,477
Dividends	-	-	-	-	-	-	-	(92,241)	(92,241)
At 31 December 2004	<u>351,828</u>	<u>2,881</u>	<u>(8,848)</u>	<u>2,632</u>	<u>66,174</u>	<u>546</u>	<u>367,782</u>	<u>1,413,530</u>	<u>2,196,525</u>

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At 1 January 2003	332,402	572,173	59,234	963,809
Premium arising on issue of shares	38,457	–	–	38,457
Net profit for the year	–	–	46,024	46,024
Dividends	–	–	(57,276)	(57,276)
At 31 December 2003	370,859	572,173	47,982	991,014
Premium arising on issue of shares	19,275	–	–	19,275
Capitalisation of share premium for the bonus issue of shares	(38,306)	–	–	(38,306)
Net profit for the year	–	–	52,471	52,471
Dividends	–	–	(92,241)	(92,241)
At 31 December 2004	<u>351,828</u>	<u>572,173</u>	<u>8,212</u>	<u>932,213</u>

Included in the above are the Group's share of post-acquisition profits of its associates at 31 December 2004 amounted to HK\$83,000 (share of post-acquisition losses of 2003: HK\$24,996,000)

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

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

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

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

Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Contributed surplus	572,173	572,173
Accumulated profits	8,212	47,982
	<u>580,385</u>	<u>620,155</u>

31. ACQUISITION OF SUBSIDIARIES

During the year, the Group increased its shareholding in Enerchina Holdings Limited (“Enerchina”) from 37.1% to 50.1% by acquiring additional 13.0% of the total issued share capital of Enerchina from four independent parties. Following the acquisition, Enerchina became a subsidiary of the Company. In addition, the Group acquired 100% registered capital of Cangxi Panva Gas Co., Ltd., Daiyi Panva Gas Co., Ltd., and Zhongjiang Panva Gas Co., Ltd.. The Group also acquired 90% of the registered capital of Yuechi Panva Gas Co., Ltd.. These acquisitions have been accounted for by the acquisition method of accounting. The aggregate amount of goodwill and negative goodwill arising as a result of the acquisitions was HK\$160,656,000 and HK\$22,646,000 respectively.

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired:		
Property, plant and equipment	1,279,549	82,854
Investments in securities	146,946	2,010
Inventories	80,489	2,092
Trade and other receivables	477,519	24,476
Amounts due from minority shareholders	28,064	–
Pledged bank deposits	72,467	–
Bank balances and cash	908,296	543
Trade and other payables	(321,714)	(2,077)
Amounts due to minority shareholders	(13,719)	(51,634)
Borrowings	(1,295,722)	(30,580)
Minority interests	(772,727)	(1,273)
	<u>589,448</u>	<u>26,411</u>
Goodwill	160,656	–
Negative goodwill	(22,646)	(6,954)
	<u><u>727,458</u></u>	<u><u>19,457</u></u>
Satisfied by:		
Cash paid	272,704	15,716
Interest in an associate	438,259	–
Amounts due to minority shareholders	16,495	3,741
	<u><u>727,458</u></u>	<u><u>19,457</u></u>
Net cash inflow (outflow) arising on acquisition:		
Cash consideration	(272,704)	(15,716)
Bank balances and cash acquired	908,296	543
Net inflow (outflow) of cash and cash equivalents in respect of acquisition of subsidiaries	<u><u>635,592</u></u>	<u><u>(15,173)</u></u>

The subsidiaries acquired during the year contributed HK\$291,203,000 (2003: HK\$79,027,000) to the Group's turnover and HK\$141,025,000 (2003: HK\$63,966,000) to the Group's profit from operations.

32. DISPOSAL OF SUBSIDIARIES

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets disposed of:		
Property, plant and equipment	149	1,847
Stock of unsold properties	48,663	–
Inventories	37	772
Trade and other receivables	202	10,772
Investments in securities	–	18,073
Bank balances and cash	126	21
Trade and other payables	(69)	(2,749)
Minority interests	(31)	(178)
	<u>49,077</u>	<u>28,558</u>
Realisation of reserves on disposal:		
Asset revaluation reserve	–	(64)
Translation reserve	–	(19)
General reserves	–	(75)
Capital reserve	–	32
	<u>49,077</u>	<u>28,432</u>
Gain (loss) on disposal	<u>3,524</u>	<u>(13,569)</u>
Total consideration	<u><u>52,601</u></u>	<u><u>14,863</u></u>
Satisfied by:		
Cash consideration	<u><u>52,601</u></u>	<u><u>14,863</u></u>
Net cash inflow arising on disposal:		
Cash received	52,601	14,863
Bank balance and cash disposed of	<u>(126)</u>	<u>(21)</u>
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	<u><u>52,475</u></u>	<u><u>14,842</u></u>

33. MAJOR NON-CASH TRANSACTIONS

- (a) Part of the consideration for the acquisition of subsidiaries that occurred during the year comprised interest in an associate and amounts due to minority shareholders of HK\$438,259,000 and HK\$16,495,000 respectively.
- (b) During the year, 383,067,040 bonus shares were issued by the capitalisation of HK\$38,306,000 to the share premium account.
- (c) On 26 March 2003, convertible note of HK\$40,800,000 was converted into 51,000,000 shares of HK\$0.10 each in the Company. The new shares issued rank pari passu with the existing shares in all aspects.

34. RELATED PARTY TRANSACTIONS

During the year, the following related party transactions took place:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Skillful Assets Limited		
– Rental paid thereto	996	996
Enerchina		
– Interest received therefrom	152	4,456
– Office expenses received therefrom	<u>855</u>	<u>788</u>

Skillful Assets Limited is a company controlled by Mr. Ou Yaping, director of the Company.

The above transactions were carried out at terms mutually agreed with the related parties.

35. SHARE OPTION SCHEMES

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

Movements of the Company's share options held by employees (including directors) during the year were as follows:

Option type	Number of share options						
	Outstanding at beginning of year	Granted during the year	Exercised during the year prior to bonus issue of shares	Adjustment as a result of the bonus issue of shares	Exercised during the year after the bonus issue of shares	Lapsed during the year	Outstanding at end of year
For the year ended 31 December 2004	35,150,000	25,400,000	(4,300,000)	11,250,000	(35,050,000)	(1,200,000)	31,250,000
For the year ended 31 December 2003	48,371,000	-	-	-	(10,571,000)	(2,650,000)	35,150,000

Details of share options held by the Company's directors included in the above table are as follows:

Option type	Number of share options						
	Outstanding at beginning of year	Granted during the year	Exercised during the year prior to bonus issue of shares	Adjustment as a result of the bonus issue of shares	Exercised during the year after the bonus issue of shares	Lapsed during the year	Outstanding at end of year
For the year ended 31 December 2004	27,800,000	-	-	5,560,000	(26,960,000)	-	6,400,000
For the year ended 31 December 2003	33,850,000	-	-	-	(6,050,000)	-	27,800,000

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

	2004	2003
Exercise period	01.06.2004 to 31.05.2008	-
Exercise price*	HK\$0.76	-
Aggregate proceeds if shares are issued	HK\$19,304,000	-

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

	2004	2003
Exercise period	01.06.2004 to 31.05.2008	01.01.2004 to 01.06.2006
Exercise price*	HK\$0.28 to HK\$0.76	HK\$0.33 to HK\$0.50
Aggregate issue proceeds	HK\$23,210,000	HK\$3,790,000

As at 31 December 2004, details of options are as follows:

	Exercise period	Exercise price before adjustment	Exercise price after adjustment*	2004	2003
“in the money”	03.04.2002 to 03.04.2005	HK\$0.33 to HK\$0.67	HK\$0.28 to HK\$0.56	–	20,700,000
	01.09.2002 to 01.12.2005	HK\$0.67	HK\$0.56	6,400,000	14,450,000
	01.06.2004 to 31.05.2008	HK\$0.91	HK\$0.76	24,850,000	–
				<u>31,250,000</u>	<u>35,150,000</u>

* The exercise price of share option was adjusted to take into account the effect of the two-for-ten bonus issue of shares during the year.

When the share options are exercised and new shares are issued, the share capital is increased by the nominal value of the new shares issued and the share premium account is increased by the remainder of the proceeds. HK\$34 is recognised in the income statement in respect of the value of share options granted.

Nominal consideration for options granted during the year was received.

The share prices on the dates of exercise of options on 26 February 2004, 4 June 2004, 14 June 2004, 19 August 2004, 8 November 2004, 25 November 2004 and 14 December 2004 were HK\$0.83 (as adjusted for the effect of bonus issue of shares), HK\$0.88, HK\$0.86, HK\$0.90, HK\$0.89, HK\$1.13 and HK\$1.04 respectively.

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

36. RETIREMENT BENEFITS SCHEMES

The Group’s subsidiaries operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. The Group is required to make specific contributions to the retirement schemes at a rate of 7 to 25 percent of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made.

The Group has joined a MPF Scheme for all its non-PRC employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. The retirement benefits scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

During the year, the Group made contributions to the retirement benefits schemes amounted to HK\$5,459,000 (2003: HK\$5,495,000).

37. CONTINGENT LIABILITIES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to banks as security for the mortgage loans arranged for the purchasers of the Group's properties	<u>261,484</u>	<u>17,256</u>

In August 2003, a supplier filed an application of arbitration against Shenzhen Fuhuade Electric Power Company Limited ("Fuhuade") in respect of a claim for extra sum due to the additional work involved during the installation of the new generating units. The extra contract sum claimed, together with interest thereon, amounts to approximately HK\$28,015,000. Fuhuade has instructed a firm of lawyers to act on its behalf in respect of the arbitration. In the opinion of the directors, as the arbitration is in progress and the outcome of this cannot be ascertained at this amount, no provision for the amount claimed has been made by the Group as at 31 December 2004.

	THE COMPANY	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantee given to a bank to secure general banking facilities granted to a subsidiary	512,086	514,500
Guarantee given to a trust fund to secure borrowings granted to a subsidiary	<u>149,673</u>	<u>–</u>
	<u>661,759</u>	<u>514,500</u>

At the balance sheet date, the Company has also given guarantee to the holder of the exchangeable note issued by a subsidiary of the Company of HK\$62,500,000.

38. COMMITMENTS

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Commitments in respect of properties under development:		
– contracted for but not provided in the financial statements	381,359	538,266
– authorised but not contracted for	<u>296,004</u>	<u>881,292</u>
	677,363	1,419,558
Capital expenditure in respect of unpaid capital contribution of investment projects		
– contracted for but not provided in the financial statements	526,008	186,361
Capital expenditure in respect of the acquisition of property, plant and equipment		
– contracted for but not provided in the financial statements	<u>191,488</u>	<u>–</u>
	<u>1,394,859</u>	<u>1,605,919</u>

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

39. OPERATING LEASE COMMITMENTS

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

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	9,144	336
In the second to fifth year inclusive	35,601	540
Over five years	90,916	306
	<u>135,661</u>	<u>1,182</u>

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

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	12,116	5,712	1,740	1,105
In the second to fifth years inclusive	19,130	12,774	1,740	–
Over five years	14,518	18,719	–	–
	<u>45,764</u>	<u>37,205</u>	<u>3,480</u>	<u>1,105</u>

Operating lease payments represent rental payable by the Group and the Company for certain of its office properties.

Leases are negotiated for terms ranging from two to thirty years.

40. PLEDGE OF ASSETS

At 31 December 2004, bank deposits of HK\$72,467,000 (2003: Nil), land held under medium term leases included in the properties under development for sale with an aggregate carrying amount of HK\$441,956,000 (2003: HK\$388,030,000) and other property, plant and equipment with an aggregate carrying amount of HK\$56,472,000 (2003: HK\$43,963,000) were pledged to banks to secure general banking facilities granted to the Group.

Pursuant to a facility agreement entered into between the Company and a financial institution dated 6 December 2004, the Group's entire interest in Enerchina and Panva, which consisted of 1,147,680,775 shares in Enerchina and 550,789,987 shares in Panva respectively, were pledged to the financial institution to secure the credit facilities granted to the Group in connection with the unconditional general offers made by the Company to acquire all the issued shares of and for cancellation of all the outstanding options of Enerchina on 28 December 2004. No amount of facilities was utilised as at the balance sheet date.

41. POST BALANCE SHEET EVENTS

- (a) On 3 December 2004, the Group increased its shareholdings in Enerchina from 37.1% to 50.1% by acquiring additional 13.0% of the total issued share capital of Enerchina from four independent parties. Following the acquisition, Enerchina became a subsidiary of the Company. At the same time, the Company made unconditional general offers to acquire all the issued shares of and for cancellation of all the outstanding options of Enerchina. The Company's shareholdings in Enerchina increased to 63.38% upon the completion of the above offers on 18 January 2005.
- (b) A subsidiary of the Company entered into a sale and purchase agreement with a third party in respect of the disposal of the Group's entire interest in New China Control Systems Limited ("New China"), at a consideration of US\$23,500,000 (approximately HK\$182,830,000) on 16 December 2004. The principal assets of New China is the investment in Xin Hua Control Engineering Company Limited, a sino-foreign equity joint venture established in the PRC. The disposal is completed in March 2005 with gain on disposal attributable to the Group of approximately HK\$59,800,000.

42. PRINCIPAL SUBSIDIARIES

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Property development and management division					
Executive Choice Investments Limited	BVI	US\$1	100%	–	Investment holding
Firstline Investment Limited	BVI	US\$1	–	100%	Investment holding
Future Perfect Properties Limited	BVI	US\$1	–	100%	Property holding
Kenson Investment Limited	BVI	US\$1	100%	–	Investment holding
Knatwood Limited	BVI	US\$1	–	100%	Investment holding
Leader Faith International Limited	BVI	US\$1	100%	–	Investment holding
Link Capital Investments Limited	BVI	US\$50,000	–	100%	Investment holding
Ocean Diamond Limited	BVI	US\$50,000	–	100%	Investment holding

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Property development and management division (Continued)					
Shenzhen Mangrove West Coast Property Development Co. Ltd. 深圳紅樹西岸地產發展 有限公司	PRC – Sino-foreign equity joint venture	RMB10,000,000	–	87%	Property development
Shenzhen Sinolink Property Management Co., Ltd. 深圳百仕達物業管理 有限公司	PRC – Foreign equity joint venture	RMB2,000,000	–	87%	Property management
Sinolink International Investment (Group) Limited	BVI	US\$1	–	100%	Investment holding
Sinolink LPG Development Limited	BVI	US\$1	–	100%	Investment holding
Sinolink Petrochemical Investment Limited	BVI	US\$1	–	100%	Investment holding
Sinolink Progressive Limited	BVI	US\$47,207	–	100%	Investment holding
Sinolink Properties Agent Limited 百仕達物業代理有限公司	Hong Kong	HK\$10,000	–	100%	Property agent
Sinolink Properties Limited 百仕達地產有限公司 (formerly known as Shenzhen Sinolink Enterprises Co., Ltd. 深圳百仕達實業 有限公司)	PRC – Foreign equity joint venture	RMB375,000,000	–	80%	Property development
Sinolink Worldwide (HK) Company Limited 香港百仕達有限公司	Hong Kong	HK\$10,000,000	–	100%	Investment holding

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Property development and management division (Continued)					
Smart Orient Investments Limited	BVI	US\$1	100%	–	Investment holding
Supreme All Investments Limited	BVI	US\$1	100%	–	Investment holding
Gas fuel business division					
Cangxi Panva Gas Co., Ltd. 蒼溪百江燃氣有限公司	PRC – Limited liability company	RMB8,000,000	–	58.45%	Provision of natural gas and related services and gas pipeline construction
Changde Pan River Enterprises Co., Ltd. 常德百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB6,000,000	–	49.68%	Wholesaling and retailing of LP Gas
Changsha Pan River Enterprises Co., Ltd. 長沙百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB40,000,000	–	35.07%	Wholesaling and retailing of LP Gas
Chenzhou Pan River Gas Industry Co., Ltd. 郴州百江燃氣實業有限公司	PRC – Sino-foreign equity joint venture	RMB9,000,000	–	35.07%	Wholesaling and retailing of LP Gas
China Overlink Holdings Co., Limited	BVI	US\$1	–	58.45%	Investment holding
China Pan River Group Ltd. 中國百江集團有限公司	BVI	US\$12,821	–	58.45%	Investment holding
Dayi Panva Gas Co., Ltd. 大邑百江燃氣有限公司	PRC – Limited liability company	RMB3,300,000	–	58.45%	Provision of natural and related services and gas pipeline construction

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Gas fuel business division (Continued)					
Jinan Panva Gas Co., Ltd. 濟南百江燃氣有限公司	PRC – Sino-foreign equity joint	RMB100,000,000	–	29.80%	Provision of LG Gas, natural gas and related services and gas pipeline construction
Le Zhi Panva Gas Co., Ltd. 樂至百江燃氣有限公司	PRC – Limited liability company	RMB14,800,000	–	58.45%	Provision of natural gas and related services and gas pipeline construction
Nanjing Panva LPG Company Ltd. 南京百江液化氣有限公司	PRC – Sino-foreign equity joint venture	RMB50,000,000	–	32.14%	Wholesaling and retailing of LP Gas
Nanjing Panva Pipeline Gas Co., Ltd. 南京百江管道燃氣 有限公司	PRC – Sino-foreign equity joint venture	US\$1,010,000	–	45.56%	Provision of LP Gas and related services and gas pipeline construction
Pan River Enterprises (Hengyang) Co., Ltd. 衡陽百江能源實業 有限公司	PRC – Sino-foreign equity joint venture	RMB6,000,000	–	49.09%	Wholesaling and retailing of LP Gas
Pan River Enterprises (Wuhu) Co., Ltd. 蕪湖百江能源實業 有限公司	PRC – Sino-foreign equity joint venture	RMB32,000,000	–	32.14%	Wholesaling and retailing of LP Gas
Pan River Enterprises (Yongzhou) Co., Ltd. 永州百江能源實業 有限公司	PRC – Sino-foreign equity joint venture	RMB5,000,000	–	35.07%	Wholesaling and retailing of LP Gas

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Gas fuel business division (Continued)					
Pan River Gas (China Southwest) Co., Ltd. 百江西南燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB16,000,000	–	29.28%	Wholesaling and retailing of LP Gas
Pan River Gas (Zunyi) Co., Ltd. 遵義百江燃氣有限公司	PRC – Limited liability company	RMB4,200,000	–	29.28%	Wholesaling and retailing of LP Gas
Panriver Investments Company Limited 百江投資有限公司	PRC – Limited liability company	US\$30,000,000	–	58.45%	Investment holding
Panva (Chizhou) Gas Co., Ltd. 池州百江燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB20,000,000	–	35.07%	Provision of LP Gas and related services and gas pipeline construction
Panva Gas (Yunnan) Co., Ltd. 雲南百江燃氣有限公司	PRC – Limited liability company	RMB58,840,000	–	16.67%	Wholesaling and retailing of LP Gas
Panva Gas Holdings Limited 百江燃氣控股有限公司	Cayman Islands	HK\$94,225,089	–	58.45%	Investment holding
Pengxi Panva Gas Co., Ltd. 蓬溪百江燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB3,590,000	–	52.60%	Provision of natural gas and related services and gas pipeline construction
Pingchang Panva Gas Co., Ltd. 平昌百江燃氣有限公司	PRC – Limited liability company	RMB8,000,000	–	52.60%	Provision of natural gas and related services and gas pipeline construction

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Gas fuel business division (Continued)					
Singkong Investments Limited 盛港投資有限公司	Hong Kong	HK\$10,000	–	58.45%	Investment holding
Sinolink LPG Investment Limited	BVI	US\$1	–	58.45%	Investment holding
Sinolink Power Investment Limited	BVI	US\$1	–	58.45%	Investment holding
Weiyuan Panva Gas Co., Ltd. 威遠百江燃氣有限公司	PRC – Limited liability company	RMB5,000,000	–	58.15%	Provision of natural gas and related services and gas pipeline construction
Xiang Tan Pan River Energy Industry Co., Ltd. 湘潭百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB10,000,000	–	35.07%	Wholesaling and retailing of LP Gas
Yangzhou YPC & Panva Gas Co., Ltd. 揚州揚子石化百江燃氣有限公司	PRC – Limited liability company	RMB10,000,000	–	16.07%	Wholesaling and retailing of LP Gas
Yi Yang Pan River Enterprises Co., Ltd. 益陽百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB5,000,000	–	35.07%	Wholesaling and retailing of LP Gas
YPC & Panva Energy Company Limited (“Yangzi Panva”) 揚子石化百江能源有限公司	PRC – Sino-foreign equity joint venture	US\$7,230,000	–	29.22%	Wholesaling and retailing of LP Gas
Yuechi Panva Gas Co., Ltd. 岳池百江燃氣有限公司	PRC – Limited liability company	RMB8,000,000	–	52.60%	Provision of natural gas and related services and gas pipeline construction

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Gas fuel business division (Continued)					
Zhongjiang Panva Gas Co., Ltd. 中江百江燃氣有限公司	PRC – Limited liability company	RMB18,816,000	–	58.45%	Provision of natural gas and related services and gas pipeline construction
Ziyang Panva Gas Co., Ltd. 資陽百江燃氣有限公司	PRC – Limited liability company	RMB9,890,000	–	52.60%	Provision of natural gas and related services and gas pipeline construction
Electricity supplies division					
Enerchina Holdings Limited 威華達控股有限公司	Bermuda	HK\$22,909,339	24.96%	25.14%	Investment holding
Enerchina Oil and Petrochemical Company Limited	BVI	HK\$2	–	50.10%	Procurement of fuel oil
Enerchina Resources Limited	Hong Kong	HK\$2	–	50.10%	Provision of management services
Hanka Limited	Hong Kong	HK\$2	–	50.10%	Holding of club membership
New China Control Systems Limited	BVI	US\$1	–	50.10%	Investment holding
Rado International Limited	BVI	US\$1	–	50.10%	Investment holding
Roxy Link Limited	BVI	HK\$2	–	50.10%	Investment holding
Shenzhen Fuhuade Electric Power Co., Ltd. 深圳福華德電力有限公司	PRC – Sino-foreign equity joint venture	RMB224,500,000	–	35.07%	Electricity supplies
Sinolink Electric Power Company Limited 百仕達電力有限公司	Hong Kong	HK\$2*	–	50.10%	Investment holding
Sinolink Industrial Limited	BVI	US\$50,001	–	50.10%	Investment holding

- * *In addition to the issued ordinary share capital of HK\$2, Sinolink Electric Power Company Limited has HK\$100,000 non-voting deferred shares which are held by Mr. Ou Yaping. Holders of the non-voting deferred shares are not entitled to receive notices, attend, vote at any general meetings nor to receive any dividend out of operating profit and have very limited rights on return of assets of the Company.*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Except for Future Perfect Properties Limited and Enerchina Oil and Petrochemical Company Limited which operate in the PRC (other than Hong Kong) and the investment holding companies which have no definite place of operation, all the above subsidiaries operate principally in their respective place of incorporation/establishment.

None of the subsidiaries had issued any debt securities at 31 December 2004 or at any time during the year except for Panva Gas Holdings Limited which has issued convertible bonds and guaranteed senior notes with principal amount of HK\$372,016,000 and HK\$1,559,000,000 respectively, in which the Group has no interest.

(iii) Audited financial statements for the year ended 31 December 2003

Set out below is the audited consolidated income statement, consolidated balance sheet, balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and notes to the financial statements reproduced from the audited accounts published in the Group's Annual Report for the year ended 31 December 2003.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2003

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

CONSOLIDATED BALANCE SHEET

At 31 December 2003

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

BALANCE SHEET*At 31 December 2003*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2003

	Share Properties									Total HK\$'000
	Share capital HK\$'000	premium account HK\$'000	revaluation account HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	General reserve HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	
At 1 January 2002	167,200	278,653	19,462	(5,710)	(5,920)	57,722	858	368,262	395,233	1,275,760
Exchange rate adjustment not recognised in the income statement	-	-	-	(211)	-	-	-	-	-	(211)
Realised on disposal of a subsidiary	-	-	(10,611)	(294)	8,511	(3,821)	(77)	(480)	-	(6,772)
Shares issued at premium	17,744	53,749	-	-	-	-	-	-	-	71,493
Transfer from profit and loss account	-	-	-	-	-	6,130	-	-	(6,130)	-
Profit for the year	-	-	-	-	-	-	-	-	294,429	294,429
Dividend	-	-	-	-	-	-	-	-	(55,483)	(55,483)
At 31 December 2002	184,944	332,402	8,851	(6,215)	2,591	60,031	781	367,782	628,049	1,579,216
Exchange rate adjustment not recognised in the income statement	-	-	-	(724)	-	-	-	-	-	(724)
Shares issued at premium	6,160	38,457	-	-	-	-	-	-	-	44,617
Addition during the year	-	-	-	122	-	483	-	-	-	605
Realised on disposal of subsidiaries	-	-	(64)	(19)	-	(75)	32	-	-	(126)
Realised on partial disposal of a subsidiary	-	-	(994)	260	81	(878)	(301)	-	-	(1,832)
Realised on disposal of associates	-	-	(5,323)	(309)	-	(3,165)	(58)	-	-	(8,855)
Transfer from profit and loss account	-	-	-	-	-	958	-	-	(958)	-
Profit for the year	-	-	-	-	-	-	-	-	778,050	778,050
Dividend	-	-	-	-	-	-	-	-	(57,276)	(57,276)
At 31 December 2003	191,104	370,859	2,470	(6,885)	2,672	57,354	454	367,782	1,347,865	2,333,675

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2003

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

1. GENERAL

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

The principal activities of the Group are property development and sale and distribution of liquefied petroleum gas and natural gas ("Gas fuel") and construction of gas pipelines. During 2002, it ceased its supply of electricity operation.

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

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

SSAP 12 (Revised) Income taxes

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

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

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

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

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

Negative goodwill

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

Negative goodwill arising on acquisitions is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

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

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

Recognition of revenue*Development properties*

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

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

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

Sales of electricity supply

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

Gas pipelines construction revenue

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

Sales of goods

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

Income from decoration, interior design and related services

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

Income from property management services

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

Interest income

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

Dividend income

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

Stock of properties

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

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

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

Investments in subsidiaries

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

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

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus goodwill on acquisition less any identified impairment loss.

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

Investment securities

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

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair values, with unrealised gains and losses included in net profit or loss for the year.

Property, plant and equipment

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

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

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

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

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Construction in progress

Construction in progress, which includes all development expenditure and other direct costs, including interest expenses attributable to such projects, is stated at cost. Costs on completed construction work are transferred to property, plant and equipment.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that another SSAP.

Foreign currencies

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

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expense in the period in which the operation is disposed of.

Exclusive operating right for city pipeline network

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

Inventories

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

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

Construction contracts

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

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

Convertible note

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

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

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

Operating leases

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

Retirement benefits scheme

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

Taxation

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

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

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

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

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

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

4. BUSINESS AND GEOGRAPHICAL SEGMENTS**(A) Business segments**

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

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

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

- (i) Segment information about these businesses for the year ended 31 December 2003 is presented below:

INCOME STATEMENT

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

BALANCE SHEET

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

OTHER INFORMATION

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

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

INCOME STATEMENT

	Continuing operations			Discontinuing operation	Eliminations	Consolidated
	Property development	Gas fuel business	Others	Electricity supply		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER						
External sales	311,997	1,150,322	22,613	40,474	-	1,525,406
Inter-segment sales	-	-	9,542	-	(9,542)	-
	<u>311,997</u>	<u>1,150,322</u>	<u>32,155</u>	<u>40,474</u>	<u>(9,542)</u>	<u>1,525,406</u>
Inter-segment sales are charged at prevailing market prices.						
RESULT						
Segment result	<u>31,556</u>	<u>184,129</u>	<u>4,998</u>	<u>2,180</u>	<u>-</u>	<u>222,863</u>
Other operating income						20,924
Unallocated corporate expenses						<u>(21,301)</u>
Profit from operations						222,486
Finance costs						(4,350)
Gain on disposal of subsidiaries	-	111,860	-	84,048	-	195,908
Loss on disposal of an associate	(234)	-	-	-	-	(234)
Amortisation of goodwill of an associate	-	-	(1,816)	-	-	(1,816)
Share of results of associates	2,306	-	(25,055)	-	-	<u>(22,749)</u>
Profit before taxation						389,245
Taxation						<u>(16,068)</u>
Profit before minority interests						373,177
Minority interests						<u>(78,748)</u>
Net profit for the year						<u>294,429</u>

BALANCE SHEET

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

OTHER INFORMATION

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

(B) Geographical segments

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

5. OTHER OPERATING INCOME

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

6. PROFIT FROM OPERATIONS

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

7. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

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

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

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

The emoluments of the directors were within the following bands:

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

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

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

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

8. FINANCE COSTS

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

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

9. GAIN ON DISPOSAL OF SUBSIDIARIES

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

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

10. DISCONTINUING OPERATIONS

On 8 March 2002, the Group entered into a sales agreement to dispose of Sinolink Industrial Limited (“Sinolink Industrial”), which carried out all of the Group’s electricity supply operations. The disposal was completed on 6 May 2002, on which date control of Sinolink Industrial was passed to the acquirer. The results of the electricity supply operations for the period from 1 January 2002 to 6 May 2002, which have been included in the consolidated financial statements were as follows:

	Period ended
	6.5.2002
	<i>HK\$'000</i>
Turnover	40,474
Cost of sales	(35,241)
Other operating income	179
Other operating expenses	(3,053)
Finance costs	(1,144)
	<hr/>
Profit before taxation	1,215
Tax Credit	3
	<hr/>
Profit after taxation	<u>1,218</u>

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

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

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

A gain of HK\$84 million during 2002 arose on the disposal of Sinolink Industrial, being the proceeds of disposal less the carrying amount of the subsidiary’s net assets and attributable goodwill (see note 31). No tax charge or credit arose from the transaction.

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

11. TAXATION

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

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

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

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

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

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

12. DIVIDENDS

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

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

13. EARNINGS PER SHARE

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

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

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share warrants as the exercise price of those warrants is higher than the average market price for the Company's shares for both 2002 and 2003.

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

14. PROPERTY, PLANT AND EQUIPMENT

	Medium term leasehold land and buildings in the PRC HK\$'000	Construction in progress HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Gas pipelines HK\$'000	Total HK\$'000
THE GROUP							
COST OR VALUATION							
At 1 January 2003	140,320	12,239	147,309	29,592	32,333	157,011	518,804
Acquisition of subsidiaries	5,988	46,518	1,376	245	200	28,527	82,854
Disposal of subsidiaries	(1,130)	–	(925)	(267)	(242)	–	(2,564)
Additions	12,620	30,317	4,696	13,139	8,761	136,509	206,042
Disposals	(14,264)	(4,044)	(111)	(490)	(6,180)	(2)	(25,091)
Transfer	3,559	(30,977)	2,687	210	85	24,436	–
At 31 December 2003	147,093	54,053	155,032	42,429	34,957	346,481	780,045
Comprising:							
At cost	–	54,053	155,032	42,429	34,957	346,481	632,952
At valuation 2003	147,093	–	–	–	–	–	147,093
	147,093	54,053	155,032	42,429	34,957	346,481	780,045
DEPRECIATION							
At 1 January 2003	20,509	–	28,852	17,912	13,743	5,113	86,129
Disposal of subsidiaries	(131)	–	(274)	(236)	(76)	–	(717)
Provided for the year	7,547	–	8,090	7,064	4,542	6,790	34,033
Eliminated on disposals	(3,952)	–	(10)	(406)	(3,435)	–	(7,803)
At 31 December 2003	23,973	–	36,658	24,334	14,774	11,903	111,642
NET BOOK VALUES							
At 31 December 2003	<u>123,120</u>	<u>54,053</u>	<u>118,374</u>	<u>18,095</u>	<u>20,183</u>	<u>334,578</u>	<u>668,403</u>
At 31 December 2002	<u>119,811</u>	<u>12,239</u>	<u>118,457</u>	<u>11,680</u>	<u>18,590</u>	<u>151,898</u>	<u>432,675</u>

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

No professional valuation of the leasehold land and buildings was carried out at 31 December 2003 as, in the opinion of the directors, the carrying value of the leasehold land and buildings was not materially different from the open market value at 31 January 2001.

If the leasehold land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation of HK\$78,160,000 (2002: HK\$66,322,000).

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

**Furniture,
fixtures
and equipment**
HK\$'000

THE COMPANY

COST

At 1 January 2003	2,409
Additions	59
Disposals	(1,503)
	965
At 31 December 2003	965

DEPRECIATION

At 1 January 2003	1,050
Provided for the year	412
Eliminated on disposals	(731)
	731
At 31 December 2003	731

NET BOOK VALUE

At 31 December 2003	234
At 31 December 2002	1,359

15. INTANGIBLE ASSET

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

COST

Acquired during the year and at 31 December 2003	10,035
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AMORTISATION

Charge for the year and at 31 December 2003	(373)
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NET BOOK VALUE

At 31 December 2003	9,662
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The Group's exclusive operating right for city pipeline network was purchased from third parties.

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

16. GOODWILL

	THE GROUP
	2003
	<i>HK\$'000</i>
COST	
At 1 January 2003	24,519
Arising on conversion of convertible note into shares in a subsidiary	63,108
	<hr/>
At 31 December 2003	87,627
	<hr/>
AMORTISATION	
At 1 January 2003	1,860
Provided for the year	1,216
	<hr/>
At 31 December 2003	3,076
	<hr/>
NET BOOK VALUE	
At 31 December 2003	84,551
	<hr/> <hr/>
At 31 December 2002	22,659
	<hr/> <hr/>

The amortisation period adopted for goodwill is 20 years.

17. NEGATIVE GOODWILL

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

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

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

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

18. INVESTMENTS IN SUBSIDIARIES

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

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

Particulars of the subsidiaries as at 31 December 2003 are as follows:

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

Name	Place of incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held	Principal activities
Indirectly-owned subsidiaries				
China Pan River Group Ltd.	BVI	12,821 shares of US\$1 each	100%	Investment holding
Chenzhou Pan River Gas Industry Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB9,000,000	60%	Wholesaling and retailing of LP Gas
China Overlink Holdings Co., Limited	BVI	1 share of US\$1 each	100%	Investment holding
Chizhou Panva Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB20,000,000	60%	The provision of LP Gas and related services and gas pipeline construction
Chuzhou YPC & Panva Energy Co., Limited	PRC – Sino-foreign equity joint venture	RMB1,000,000	60%	Wholesaling and retailing of LP Gas
Firstline Investment Limited	BVI	1 share of US\$1 each	100%	Investment holding
Future Perfect Properties Limited	BVI	1 share of US\$1 each	100%	Property holding
Knatwood Limited	BVI	1 share of US\$1 each	100%	Investment holding
Lezhi Panva Gas Co., Ltd.	PRC – Limited liability company	RMB14,800,000	100%	The provision of natural gas and related services and gas pipeline construction
Link Capital Investments Limited	BVI	50,000 shares of US\$1 each	100%	Investment holding

Name	Place of incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held	Principal activities
Indirectly-owned subsidiaries (continued)				
Jinan Panva Gas Co., Ltd.	PRC – Sino-foreign equity joint	RMB100,000,000	51%	The provision of LP Gas, natural gas and related services and gas pipeline construction
Nanjing Panva LPG Company Ltd.	PRC – Sino-foreign equity joint venture	RMB50,000,000	55%	Wholesaling and retailing of LP Gas
Nanjing Panva Pipeline Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	US\$1,010,000	77.95%	The provision of LP Gas and related services and gas pipeline construction
Ocean Diamond Limited	BVI	50,000 shares of US\$1 each	100%	Investment holding
Panriver Investments Company Limited	PRC – Limited liability company	US\$30,000,000	100%	Investment holding
Panva Gas Holdings Limited	Cayman Islands	779,097,891 shares of HK\$0.1 each	56.94%	Investment holding
Panva Gas (Yunnan) Co., Ltd.	PRC – Limited liability company	RMB58,840,000	56.94%	Wholesaling and retailing of LP Gas
Pan River Enterprises (Changde) Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB6,000,000	85%	Wholesaling and retailing of LP Gas
Pan River Enterprises (Changsha) Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB40,000,000	60%	Wholesaling and retailing of LP Gas

Name	Place of incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held	Principal activities
Indirectly-owned subsidiaries (continued)				
Pan River Enterprises (Hengyang) Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB6,000,000	84%	Wholesaling and retailing of LP Gas
Pan River Enterprises (Wuhu) Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB32,000,000	55%	Wholesaling and retailing of LP Gas
Pan River Gas (China Southwest) Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB16,000,000	50.10%	Wholesaling and retailing of LP Gas
Pengxi Panva Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB3,590,000	90%	The provision of natural gas and related services and gas pipeline construction
Pingchang Panva Gas Co., Ltd. Limited	PRC – liability company	RMB8,000,000	90%	The provision of natural gas and related services and gas pipeline construction
深圳湖心島實業有限公司	PRC – Sino-foreign equity joint venture	RMB10,000,000	82%	Property development
Shenzhen China Overseas–Sinolink Property Management Co., Ltd.	PRC – Limited liability company	RMB1,500,000	100%	Property management
Shenzhen Mangrove West Coast Property Development Co. Ltd.	PRC – Sino-foreign equity joint venture	RMB10,000,000	100%	Property development

Name	Place of incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held	Principal activities
Indirectly-owned subsidiaries (continued)				
Shenzhen Sinolink Enterprises Co., Ltd.	PRC – Foreign equity joint venture	RMB375,000,000	80%	Property development
Shenzhen Sinolink Property Management Co., Ltd.	PRC – Foreign equity joint venture	RMB2,000,000	85%	Property management
Singkong Investments Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Investment holding
Sinolink International Investment (Group) Limited	BVI	1 share of US\$1 each	100%	Investment holding
Sinolink LPG Development Limited	BVI	1 share of US\$1 each	100%	Investment holding
Sinolink LPG Investment Limited	BVI	1 share of US\$1 each	100%	Investment holding
Sinolink Petrochemical Investment Limited	BVI	1 share of US\$1 each	100%	Investment holding
Sinolink Power Investment Limited	BVI	1 share of US\$1 each	100%	Investment holding
Sinolink Properties Agent Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Property agent
Sinolink Worldwide (HK) Company Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100%	Investment holding
Weiyuan Panva Gas Co., Ltd.	PRC – Limited liability company	RMB5,000,000	99.5%	The provision of natural gas and related services and gas pipeline construction
Xiangtan Pan River Energy Industry Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB10,000,000	55%	Wholesaling and retailing of LP Gas

Name	Place of incorporation/ establishment and operation	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held	Principal activities
Indirectly-owned subsidiaries (continued)				
Yangzi Petrochemical Baijiang Energy Resources Co., Ltd. ("Yangzi Panva")	PRC – Sino-foreign equity joint venture	US\$7,230,000	50% (Note 1)	Wholesaling and retailing of LP Gas
Yangzhou YPC & Panva Gas Co., Ltd.	PRC – Limited liability company	RMB10,000,000	55%	Wholesaling and retailing of LP Gas
Yiyang Pan River Enterprises Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB5,000,000	60%	Wholesaling and retailing of LP Gas
Yongzhou Pan River Enterprises Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB5,000,000	60%	Wholesaling and retailing of LP Gas
Ziyang Panva Gas Co., Ltd.	PRC – Limited liability company	RMB9,890,000	90%	The provision of natural gas and related services and gas pipeline construction
Zunyi Pan River Gas Co., Ltd.	PRC – Limited liability company	RMB4,200,000	50.10%	Wholesaling and retailing of LP Gas

Note 1: Yangzi Panva is a subsidiary of the Company because the Company has control over the board of directors.

None of the subsidiaries had issued any debt securities at 31 December 2003 or at any time during the year except from Panva Gas Holdings Limited which has issued HK\$389,750,000 of convertible bonds, in which the Group has no interest.

19. INTERESTS IN ASSOCIATES

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

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

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

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

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

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

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

Name of associate	Place of incorporation/ establishment and operation	Issued and fully paid up registered capital	Proportion of nominal value of registered capital held by the Group	Principal activities
Enerchina Holdings Limited ("Enerchina")	Bermuda	762,762,968 shares of HK\$0.01 each	33.70%	Investment holding

20. INVESTMENT IN SECURITIES

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

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

21. STOCK OF PROPERTIES

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

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

22. INVENTORIES

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

23. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit terms ranging from 0 to 180 days to its customers. However, for the properties customers, general credit terms of up to 5 years are also allowed by the Group. Included in trade and other receivables are trade receivables totalling from HK\$193,176,000 (2002: HK\$114,327,000), the aged analysis of which is as follows:

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

24. AMOUNT DUE FROM AN ASSOCIATE

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

25. TRADE AND OTHER PAYABLES

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

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

26. AMOUNTS DUE TO SUBSIDIARIES

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

27. AMOUNTS DUE FROM/TO MINORITY SHAREHOLDERS

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

28. BORROWINGS

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

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

During 2002, the convertible note due to a director, Mr. Ou Yaping, issued on 12 February 1999 was converted into 134,592,000 shares of the Company at an adjusted conversion price of HK\$0.41 per share.

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

The remaining amount of HK\$125,000,000, being the exchangeable note issued by a subsidiary of the Company, will be exchangeable into shares of Panva Gas from the date of issue up to the second anniversary of the date of issue. The outstanding unconverted principal amount of the note will be redeemed on 14 October 2004 at par. Interest is payable at 2% per annum.

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

29. SHARE CAPITAL

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

Notes:

During 2002, the subscription rights attached to 15,950,000 shares, 26,675,000 shares and 220,000 share option were exercised at subscription prices of HK\$0.33, HK\$0.41 and HK\$0.5 per share respectively resulting in the issue of 42,845,000 shares of HK\$0.1 each in the Company for a total cash consideration before expenses of HK\$16,310,250.

On 8 February 2002, a convertible note of HK\$55,183,000 was converted into 134,592,000 shares of HK\$0.1 each in the Company at the price of HK\$0.41.

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

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

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

30. RESERVES

	Share Properties		Translation reserve	Goodwill reserve	General reserve	Capital reserve	Contributed surplus	Retained profits	Total
	premium account	revaluation reserve							
	HK\$'000	HK\$'000							
THE GROUP									
At 1 January 2002	278,653	19,462	(5,710)	(5,920)	57,722	858	368,262	395,233	1,108,560
Exchange rate adjustment not recognised in the income statement	-	-	(211)	-	-	-	-	-	(211)
Realised on disposal of a subsidiary	-	(10,611)	(294)	8,511	(3,821)	(77)	(480)	-	(6,772)
Shares issued at premium	53,749	-	-	-	-	-	-	-	53,749
Transfer from profit and loss account	-	-	-	-	6,130	-	-	(6,130)	-
Profit for the year	-	-	-	-	-	-	-	294,429	294,429
Dividend	-	-	-	-	-	-	-	(55,483)	(55,483)
At 31 December 2002	332,402	8,851	(6,215)	2,591	60,031	781	367,782	628,049	1,394,272
Exchange rate adjustment not recognised in the income statement	-	-	(724)	-	-	-	-	-	(724)
Shares issued at premium	38,457	-	-	-	-	-	-	-	38,457
Addition during the year	-	-	122	-	483	-	-	-	605
Realised on disposal of subsidiaries	-	(64)	(19)	-	(75)	32	-	-	(126)
Realised on partial disposal of a subsidiary	-	(994)	260	81	(878)	(301)	-	-	(1,832)
Realised on disposal of an associate	-	(5,323)	(309)	-	(3,165)	(58)	-	-	(8,855)
Transfer from profit and loss account	-	-	-	-	958	-	-	(958)	-
Profit for the year	-	-	-	-	-	-	-	778,050	778,050
Dividend	-	-	-	-	-	-	-	(57,276)	(57,276)
At 31 December 2003	<u>370,859</u>	<u>2,470</u>	<u>(6,885)</u>	<u>2,672</u>	<u>57,354</u>	<u>454</u>	<u>367,782</u>	<u>1,347,865</u>	<u>2,142,571</u>

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At 1 January 2002	278,653	572,173	19,995	870,821
Premium arising on issue of shares	53,749	–	–	53,749
Profit for the year	–	–	94,722	94,722
Dividend	–	–	(55,483)	(55,483)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	332,402	572,173	59,234	963,809
Premium arising on issue of shares	38,457	–	–	38,457
Profit for the year	–	–	46,024	46,024
Dividend	–	–	(57,276)	(57,276)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	<u>370,859</u>	<u>572,173</u>	<u>47,982</u>	<u>991,014</u>

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

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

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

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

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

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

Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

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

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

31. DISPOSAL OF SUBSIDIARIES

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

As referred to note 10, on 6 May 2002 the Group discontinued its electricity supply operations at the time of disposal of its subsidiary, Sinolink Industrial to Enerchina.

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

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

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

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

32. ACQUISITION OF SUBSIDIARIES

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

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

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

33. MAJOR NON-CASH TRANSACTIONS

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

34. RELATED PARTY TRANSACTIONS

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

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

Notes:

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

35. SHARE OPTION

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

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

Option type	Outstanding at beginning of year	Granted during year	Exercised during year	Lapsed during year	Outstanding at end of year
For the year ended 31 December 2003	<u>48,371,000</u>	<u>–</u>	<u>10,571,000</u>	<u>2,650,000</u>	<u>35,150,000</u>
For the year ended 31 December 2002	<u>103,796,000</u>	<u>45,800,000</u>	<u>42,845,000</u>	<u>58,380,000</u>	<u>48,371,000</u>

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

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

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

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

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

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

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

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

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

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

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

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

36. RETIREMENT BENEFITS SCHEME

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

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

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

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

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

37. CONTINGENT LIABILITIES

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

38. CAPITAL COMMITMENTS

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

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

39. LEASE COMMITMENTS

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

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

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

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

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

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

40. PLEDGE OF ASSETS

The Group has pledged its land held under medium term leases included in the properties under development for sale, having a net book value of approximately HK\$388,030,000 (2002: HK\$388,030,000) to secure general banking facilities granted to a subsidiary of the Company.

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

41. POST BALANCE SHEET EVENT

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

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

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

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

I. FINANCIAL INFORMATION

Set out below are the audited financial information of Kenson for the three years ended 31 December 2004 as extracted from the accountants' report of Kenson for the relevant years as included in the circular issued by Enerchina dated 17 May 2005.

Income statements

	<i>Notes</i>	Year ended 31 December		
		2002	2003	2004
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover		–	–	–
Administrative expenses		(40)	(14)	(153)
Loss from operations	5	(40)	(14)	(153)
Interest on exchangeable note wholly repayable within five years		(705)	(2,500)	(2,298)
Gain on partial disposal of investment in a subsidiary		119,478	–	–
Gain on partial disposal of investment in an associate		–	–	149,297
Net profit (loss) for the year		<u>118,733</u>	<u>(2,514)</u>	<u>146,846</u>
Dividend	7	<u>100,000</u>	<u>–</u>	<u>–</u>

Balance sheets

	Notes	As at 31 December		
		2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Non-current assets				
Investment in a subsidiary	9	56,625	–	–
Investment in an associate	10	–	56,625	50,294
		<u>56,625</u>	<u>56,625</u>	<u>50,294</u>
Current asset				
Amount due from immediate holding company	11	151,613	149,096	239,561
Current liabilities				
Accrued charges		430	427	215
Exchangeable note – amount due within one year	12	–	125,000	–
		<u>430</u>	<u>125,427</u>	<u>215</u>
Net current assets		<u>151,183</u>	<u>23,669</u>	<u>239,346</u>
Non-current liability				
Exchangeable note – amount due after one year	12	125,000	–	62,500
		<u>82,808</u>	<u>80,294</u>	<u>227,140</u>
Capital and reserves				
Share capital	13	–	–	–
Reserves		82,808	80,294	227,140
		<u>82,808</u>	<u>80,294</u>	<u>227,140</u>

Statements of changes in equity

	Share capital <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> <i>(Note 14)</i>	Accumulated (loss) profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2002	–	64,100	(25)	64,075
Net profit for the year	–	–	118,733	118,733
Dividend	–	–	(100,000)	(100,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002 and 1 January 2003	–	64,100	18,708	82,808
Net loss for the year	–	–	(2,514)	(2,514)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003 and 1 January 2004	–	64,100	16,194	80,294
Net profit for the year	–	–	146,846	146,846
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	<u>–</u>	<u>64,100</u>	<u>163,040</u>	<u>227,140</u>

Cash flow statements

	Year ended 31 December		
	2002	2003	2004
	HK\$'000	HK\$'000	HK\$'000
OPERATING ACTIVITIES			
Net profit (loss) for the year	118,733	(2,514)	146,846
Adjustments for:			
Interest expense	705	2,500	2,298
Gain on partial disposal of investment in a subsidiary	(119,478)	–	–
Gain on partial disposal of investment in an associate	–	–	(149,297)
	<u> </u>	<u> </u>	<u> </u>
Operating cash flows before movements in working capital	(40)	(14)	(153)
Increase (decrease) in accrued charges	425	(3)	(212)
	<u> </u>	<u> </u>	<u> </u>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	<u> </u> 385	<u> </u> (17)	<u> </u> (365)
INVESTING ACTIVITIES			
Proceeds from partial disposal of investment in a subsidiary	124,551	–	–
Proceeds from partial disposal of investment in an associate	–	–	155,628
(Advances to) repayment from immediate holding company	(124,936)	17	(155,263)
	<u> </u>	<u> </u>	<u> </u>
Net cash (used in) from investing activities	<u> </u> (385)	<u> </u> 17	<u> </u> 365
CHANGE IN CASH AND CASH EQUIVALENTS			
	–	–	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR			
	<u> </u> –	<u> </u> –	<u> </u> –
CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
	<u> </u> –	<u> </u> –	<u> </u> –

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The ultimate holding company of Kenson is Asia Pacific Promotion Limited, a private limited company incorporated in the BVI. The immediate holding company of Kenson is Sinolink Worldwide Holdings Limited (“Sinolink”), a company which is incorporated in Bermuda. Sinolink and its subsidiaries are hereinafter collectively referred to as “Sinolink Group”.

The principal activity of Kenson is investment holding. Its subsidiary and associate are principally engaged in the sale and distribution of liquefied petroleum gas and natural gas and construction of gas pipelines.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards (“HKASs”) and Hong Kong Financial Reporting Standards (“HKFRSs”) (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. Kenson has not early adopted these new HKFRSs in the Financial Information for the Relevant Periods.

Kenson has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Investment in a subsidiary

Investment in a subsidiary is included in Kenson’s balance sheet at cost less any identified impairment loss.

Investment in an associate

Investment in an associate is included in Kenson’s balance sheet at cost, less any identified impairment loss. The result of an associate is accounted for by Kenson on the basis of dividend received and receivable during the year.

Impairment

At each balance sheet date, Kenson reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Exchangeable note

An exchangeable note is regarded as liability until conversion actually occurs.

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Foreign currencies

Transactions in foreign currencies are translated at the approximate rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are included in net profit and loss for the year.

4. SEGMENT INFORMATION

KenSON is solely engaged in investment holding, accordingly no business or geographical segment analysis is presented.

5. LOSS FROM OPERATIONS

	Year ended 31 December		
	2002	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss from operations has been arrived at after charging:			
Auditors' remuneration	5	5	5
Staff costs including directors' remuneration	—	—	—
	<u> </u>	<u> </u>	<u> </u>

6. TAXATION

No provision for Hong Kong Profits Tax has been made in the Financial Information as Kenson's income neither arises in, nor is derived from, Hong Kong during the Relevant Periods.

No provision for deferred taxation has been made in the Financial Information as there were no significant temporary differences arising during the Relevant Periods or at the respective balance sheet dates.

7. DIVIDEND

During the year ended 31 December 2002, Kenson paid an interim dividend of HK\$100,000,000 to its sole shareholder.

No dividend was paid by Kenson for the year ended 31 December 2003 and 31 December 2004 respectively.

8. EARNINGS/LOSS PER SHARE

No earnings/loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

9. INVESTMENT IN A SUBSIDIARY

	As at 31 December		
	2002	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed shares, at cost	<u>56,625</u>	<u>—</u>	<u>—</u>
Market value of listed shares	<u>1,180,571</u>	<u>—</u>	<u>—</u>

At 31 December 2002, Kenson directly held 70.95% of the total issued share capital of Panva Gas Holdings Limited ("Panva Gas").

Panva Gas is incorporated in the Cayman Islands as an exempted company with limited liabilities and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Panva Gas and its subsidiaries are principally engaged in the sale and distribution of liquefied petroleum gas and natural gas and construction of gas pipelines.

10. INVESTMENT IN AN ASSOCIATE

	As at 31 December		
	2002	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed shares, at cost	–	56,625	50,294
Market value of listed shares	–	1,727,926	1,325,012

Pursuant to an agreement dated 4 December 2003 in relation to the placing of certain shares of Panva Gas, and another agreement on the same date in relation to the subscription of the same amount of shares of Panva Gas which was approved on 5 January 2004, Kenson's shareholding in Panva Gas decreased to 45.95% following the above placing and subscription arrangement. Accordingly, the investment in Panva Gas was classified as investment in an associate as at 31 December 2003.

At 31 December 2004, Kenson holds 40.47% of the total issued share capital of Panva Gas.

11. AMOUNT DUE FROM IMMEDIATE HOLDING COMPANY

The amount is unsecured, interest free and has no fixed repayment terms.

12. EXCHANGEABLE NOTE

	As at 31 December		
	2002	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due within one year	–	125,000	–
Amount due after one year	125,000	–	62,500
	<u>125,000</u>	<u>125,000</u>	<u>62,500</u>

The exchangeable note as at 31 December 2002 and 2003 would be exchangeable into shares of Panva Gas from the date of issue up to the second anniversary of the date of issue. The outstanding unconverted principal amount of the note would be redeemed on 31 October 2004 at par. Interest was payable at 2% per annum.

During the year ended 31 December 2004, a principal amount of HK\$62,500,000 of the exchangeable note was repaid upon maturity and the remaining principal amount of HK\$62,500,000 was replaced by the issuance of another new HK\$62,500,000 exchangeable note with maturity on 30 October 2006. The new exchangeable note will be exchangeable into shares of Panva Gas from the date of issue up to the second anniversary of the date of issue on 30 October 2006. Interest is payable at 2% per annum.

Sinolink Group has given guarantees to the holder of the exchangeable note issued by Kenson.

13. SHARE CAPITAL

The authorised share capital of Kenson as at the respective balance sheet dates amounting to US\$50,000, representing 50,000 shares of US\$1 each. The issued and fully paid share capital of Kenson as at the respective balance sheet dates amounting to US\$1, representing 1 share of US\$1 each.

There were no changes in Kenson's authorised, issued and fully paid share capital during the Relevant Periods.

14. CAPITAL RESERVE

The amount represented the capitalisation of shareholder's loan by Sinolink upon the allotment and issue of Panva Gas's shares, credited as fully paid, to Kenson at the time of group reorganisation prior to the listing of Panva's shares in 2001.

15. MAJOR NON-CASH TRANSACTIONS

During the years ended 31 December 2002, 31 December 2003 and 31 December 2004, the following significant transactions were settled through the current account with immediate holding company:

- (a) interest payable of HK\$705,000, HK\$2,500,000 and HK\$2,298,000 respectively;
- (b) dividend payable of HK\$100,000,000, nil and nil respectively;
- (c) proceeds from the issue of an exchangeable note of HK\$125,000,000, nil and nil respectively and
- (d) repayment of an exchangeable note of nil, nil and HK\$62,500,000 respectively.

III. DIRECTORS' REMUNERATION

No remuneration has been paid or is payable in respect of the Relevant Periods referred to in this report by Kenson to the directors of Kenson.

As at 31 December 2004, Kenson did not have any employment contracts with the directors of Kenson.

IV. SUBSEQUENT EVENT

An interim dividend of HK\$163,000,000 was approved by the directors of Kenson and paid on 31 January 2005.

V. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Kenson in respect of any period subsequent to 31 December 2004.

I. FINANCIAL INFORMATION

Set out below are the audited financial information of Supreme All for the three years ended 31 December 2004 as extracted from the accountants' report of Supreme All for the relevant years as included in the circular issued by Enerchina dated 17 May 2005.

Income statements

	<i>Notes</i>	Year ended 31 December		
		2002	2003	2004
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4	3,000	2,811	–
Other operating income		–	8	–
Administrative expenses		(9)	(9)	(9)
		<hr/>	<hr/>	<hr/>
Net profit (loss) for the year	6	<u>2,991</u>	<u>2,810</u>	<u>(9)</u>

Balance sheets

		As at 31 December		
	<i>Notes</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Non-current assets				
Investments in securities	<i>9</i>	100,000	100,000	100,000
Current asset				
Interest receivable from a fellow subsidiary	<i>10</i>	2,260	–	–
Current liabilities				
Accrued charges		5	5	5
Net current assets (liabilities)		2,255	(5)	(5)
Non-current liability				
Amount due to immediate holding company	<i>11</i>	97,044	91,974	91,983
		<u>5,211</u>	<u>8,021</u>	<u>8,012</u>
Capital and reserves				
Share capital	<i>12</i>	–	–	–
Accumulated profits		5,211	8,021	8,012
		<u>5,211</u>	<u>8,021</u>	<u>8,012</u>

Statements of changes in equity

	Share capital <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2002	–	2,220	2,220
Net profit for the year	–	2,991	2,991
	<hr/>	<hr/>	<hr/>
At 31 December 2002 and 1 January 2003	–	5,211	5,211
Net profit for the year	–	2,810	2,810
	<hr/>	<hr/>	<hr/>
At 31 December 2003 and 1 January 2004	–	8,021	8,021
Net loss for the year	–	(9)	(9)
	<hr/>	<hr/>	<hr/>
At 31 December 2004	<u>–</u>	<u>8,012</u>	<u>8,012</u>

II. NOTES TO THE FINANCIAL INFORMATION**1. GENERAL**

The ultimate holding company of Supreme All is Asia Pacific Promotion Limited, a private limited company incorporated in the BVI. The immediate holding company of Supreme All is Sinolink Worldwide Holdings Limited, a company which is incorporated in Bermuda.

The principal activity of Supreme All is investment holding.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the HKICPA issued a number of new or revised Hong Kong Accounting Standards (“HKASs”) and Hong Kong Financial Reporting Standards (“HKFRSs”) (hereinafter collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. Supreme All has not early adopted these new HKFRSs in the Financial Information for the Relevant Periods.

Supreme All has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Revenue recognition

Income from investments is recognised when Supreme All’s right to receive payment has been established.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Investments in securities

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

At subsequent reporting dates, debt securities that the Supreme All has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair values, with unrealised gains and losses included in net profit or loss for the year.

Impairment

At each balance sheet date, Supreme All reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Foreign currencies

Transactions in foreign currencies are translated at the approximate rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are included in net profit and loss for the year.

4. TURNOVER AND SEGMENT INFORMATION

Turnover represents income from investing activities received and receivable during the Relevant Periods.

Supreme All is solely engaged in investment holding, accordingly no business or geographical segment analysis is presented.

5. TAXATION

No provision for Hong Kong Profits Tax has been made in the Financial Information as Supreme All's income neither arises in, nor is derived from, Hong Kong during the Relevant Periods.

No provision for deferred taxation has been made in the Financial Information as there were no significant temporary differences arising during the Relevant Periods or at the respective balance sheet dates.

6. NET PROFIT (LOSS) FOR THE YEAR

	Year ended 31 December		
	2002	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit (loss) for the year has been arrived at after charging:			
Auditors' remuneration	5	5	5
Staff costs including directors' remuneration	–	–	–
and after crediting:			
Interest income	<u>3,000</u>	<u>2,811</u>	<u>–</u>

7. DIVIDEND

No dividend was paid or declared by Supreme All during the Relevant Periods.

8. EARNINGS/LOSS PER SHARE

No earnings/loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

9. INVESTMENTS IN SECURITIES

	As at 31 December		
	2002	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted debt securities, at cost (<i>Note a</i>)	100,000	–	–
Listed shares, at cost (<i>Note b</i>)	<u>–</u>	<u>100,000</u>	<u>100,000</u>
	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Market value of listed shares	<u>–</u>	<u>682,203</u>	<u>588,983</u>

Notes:

- (a) The debt securities represented investment in a convertible note issued by Panva Gas Holdings Limited (“Panva Gas”), a fellow subsidiary of Supreme All.

The convertible note was convertible into shares of Panva Gas from the date of issue of 4 April 2001 up to the third anniversary of the date of issuance. The conversion price at which each share would be issued upon conversion was HK\$0.59 per share of Panva Gas (adjusted to account for the effect of bonus issue of shares of Panva Gas). The outstanding unconverted principal amount of the note would be redeemed on 1 April 2004 at par. Interest was receivable at 3% per annum.

During the year ended 31 December 2003, Supreme All converted its convertible note into shares of Panva Gas.

- (b) The listed shares represented Supreme All’s minority stakes of approximately nil, 18% and 18% of the issued share capital of Panva Gas as at 31 December 2002, 31 December 2003 and 31 December 2004 respectively. Panva Gas is incorporated in the Cayman Islands as an exempted company with limited liabilities and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Panva Gas and its subsidiaries are principally engaged in the sale and distribution of liquefied petroleum gas and natural gas and construction of gas pipelines.

10. INTEREST RECEIVABLE FROM A FELLOW SUBSIDIARY

The amount was unsecured, interest free and settled in 2003.

11. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount is unsecured, interest free and has no fixed repayment terms. Since the amount will not be repayable within one year, it is shown in the balance sheet as a non-current liability.

12. SHARE CAPITAL

The authorised share capital of Supreme All as at the respective balance sheet dates amounting to US\$50,000, representing 50,000 shares of US\$1 each. The issued and fully paid share capital of Supreme All as at the respective balance sheet dates amounting to US\$1, representing 1 share of US\$1 each.

There were no changes in Supreme All’s authorised, issued and fully paid share capital during the Relevant Periods.

13. MAJOR NON-CASH TRANSACTIONS

No cash flow statement is presented in the Financial Information as Supreme All does not have cash transactions.

Details of major non-cash transactions are as follows:

- (a) During the years ended 31 December 2002, 31 December 2003 and 31 December 2004, interest receivable of HK\$3,000,000, HK\$5,071,000 and nil respectively were settled through current account with the immediate holding company.
- (b) During the year ended 31 December 2003, Supreme All converted its convertible note of HK\$100,000,000 into shares of Panva Gas. (*See note 9*)

14. RELATED PARTY TRANSACTIONS

Other than the related party transactions disclosed elsewhere in the Financial Information, Supreme All had the following transaction with a related party during the Relevant Periods:

	Year ended 31 December		
	2002	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from a fellow subsidiary	<u>3,000</u>	<u>2,811</u>	<u>–</u>

Interest income from a fellow subsidiary was calculated based on the terms of convertible note issued by the fellow subsidiary on 4 April 2001.

III. DIRECTORS' REMUNERATION

No remuneration has been paid or is payable in respect of the Relevant Periods referred to in this report by Supreme All to the directors of Supreme All.

As at 31 December 2004, Supreme All did not have any employment contracts with the directors of Supreme All.

IV. SUBSEQUENT EVENT

An interim dividend of HK\$8,000,000 was approved by the directors of Supreme All and paid on 31 January 2005.

V. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Supreme All in respect of any period subsequent to 31 December 2004.

1. FINANCIAL INFORMATION FOR THE PANVA GAS GROUP

(i) Consolidated Profit and Loss Accounts

Set out below are the unaudited consolidated profit and loss account of the Panva Gas Group for the three months ended 31 March 2005 extracted from the results announcement of the Panva Gas Group for the three months end 31 March 2005 and the audited consolidated profit and loss accounts of the Panva Gas Group for the years ended 31 December 2004, 2003 and 2002 extracted from the audited financial statements of the Panva Gas Group for the relevant years.

	1.1.2005 to 31.3.2005 <i>HK\$'000</i> Unaudited	1.1.2004 to 31.12.2004 <i>HK\$'000</i> Audited	1.1.2003 to 31.12.2003 <i>HK\$'000</i> Audited	1.1.2002 to 31.12.2002 <i>HK\$'000</i> Audited
Turnover	468,263	1,800,253	1,457,632	1,150,322
Cost of sales	(359,160)	(1,353,382)	(1,073,289)	(888,427)
Gross profit	109,103	446,871	384,343	261,895
Other operating income	17,120	15,963	4,218	2,752
Distribution expenses	(11,575)	(40,086)	(35,541)	(27,015)
Administrative expenses	(30,665)	(83,915)	(67,248)	(54,295)
Other operating expenses	(327)	(2,655)	(1,134)	(1,818)
Profit from operations	83,656	336,178	284,638	181,519
Loss on disposal of subsidiaries	-	(374)	(788)	-
Gain on partial disposal of a subsidiary	-	2,433	541	-
Finance costs	(14,531)	(27,826)	(10,257)	(3,216)
Loss on fair value adjustment	(323)	-	-	-
Profit before taxation	68,802	310,411	274,134	178,303
Share of results of associates	10,892	83	-	-
Taxation	79,694 (9,684)	310,494 (19,711)	274,134 (22,875)	178,303 (8,545)
Profit before minority interests	70,010	290,783	251,259	169,758
Minority interests	(11,847)	(26,695)	(42,185)	(37,220)
Net profit for the year	<u>58,163</u>	<u>264,088</u>	<u>209,074</u>	<u>132,538</u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share				
Basic	<u>6.17</u>	<u>28.14</u>	<u>33.97</u>	<u>21.97</u>
Diluted	<u>5.82</u>	<u>26.38</u>	<u>30.36</u>	<u>17.44</u>

(ii) Financial Position

Set out below is a summary of the audited financial information of the Panva Gas Group for each of the three years ended 31 December 2004:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Total assets	3,938,840	1,435,987	735,540
Total Liabilities	(2,169,458)	(591,296)	(251,499)
Minority Interests	(334,859)	(264,637)	(215,668)
Shareholders' funds	<u>1,434,523</u>	<u>580,054</u>	<u>268,373</u>

(iii) Unaudited financial results for the three months ended 31 March 2005

Set out below is the unaudited condensed consolidated income statement for the three months ended 31 March 2005 and notes to the condensed income statement reproduced from the first quarter results announcement of the Panva Gas Group for the three months ended 31 March 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2005

	<i>Notes</i>	Three months ended 31 March	
		2005 <i>HK\$'000</i> (unaudited)	As restated 2004 <i>HK\$'000</i> (unaudited)
Turnover		468,263	411,238
Cost of sales		(359,160)	(330,482)
Gross profit		109,103	80,756
Other revenue		7,428	3,193
Distribution expenses		(11,575)	(9,646)
Administrative expenses		(30,665)	(17,273)
Other operating expenses		(327)	(2,713)
Profit from operations		73,964	54,317
Finance costs		(14,531)	(2,759)
Investment income	2	9,692	839
Loss on fair value adjustment		(323)	–
Profit before taxation		68,802	52,397
Share of results of associates		10,892	–
Taxation	3	79,694 (9,684)	52,397 (1,842)
Net profit for the period		70,010	50,555
Dividend		–	–
Attributable to:			
Equity holders of the parent		58,163	44,804
Minority interests		11,847	5,751
		70,010	50,555
Earnings per share (HK cents)	4		
Basic		6.17	4.76
Diluted		5.82	4.40

Notes:

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 16 November 2000 as an exempted company with limited liability under the Companies Law (Revised) Chapter 22 of the Cayman Islands. The Company's shares (the "Shares") have been listed on the GEM of the Stock Exchange since 20 April 2001.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sale and distribution of liquefied petroleum gas ("LP Gas") and natural gas (together "Gas Fuel") in the People's Republic of China ("PRC") including the sale of LP Gas in bulk and in cylinders, the provision of piped LP Gas and natural gas, construction of gas pipelines, the operation of city gas pipeline network, the operation of Gas Fuel automobile refilling stations, and the sale of LP Gas and natural gas household appliances.

a. Statement of compliance

The Hong Kong Institute of Certified Public Accountants ("HKICPA", formerly the Hong Kong Society of Accountants) has undertaken to converge by 1 January 2005 all Hong Kong Financial Reporting standards ("HKFRS") with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. As a result, the HKICPA has aligned HKFRS with the requirements of IFRS in all material respects as at 31 December 2004. The accounts have been prepared in accordance with HKFRS issued by the HKICPA, requirements of the Hong Kong Companies Ordinance and applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules").

b. Basis of preparation

The accounts have been prepared under the historical cost convention, as modified by the revaluation of leasehold buildings, available-for-sale financial assets and financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFR requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated accounts.

Adoption of HKFRS

For the financial year commencing 1 January 2005, the Group has adopted all HKFRS in issue pertinent to its operations. The applicable HKFRS are set out below and the 2004 figures have been restated in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statement
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 34	Interim financial reporting
HKAS 36	Impairment of Assets
HKAS 37	Provisions, contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The adoption of HKAS 1, 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 33, 34 and 37 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 affects certain presentation in the consolidated balance sheet, consolidated profit and loss account and consolidated statement of changes in equity.
- HKAS 2, 8, 16, 21 and 28 affect certain disclosure of the accounts.
- HKAS 7, 10, 11, 12, 14, 18, 19, 23, 27, 33, 34 and 37 do not have any impact as the Group's accounting policies already comply with the standards.
- HKAS 24 affects the identification of related parties and the disclosure of related party transactions.

The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously carried at valuation less accumulated depreciation. In accordance with the provisions of HKAS 17, a lease of land and building should be split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. The lease premium for land is stated at cost and amortised over the period of the lease whereas the leasehold building is stated at valuation less accumulated depreciation.

The adoption of HKFRS 2 has resulted in change in accounting policy for employee share options. Prior to this, the provision of share options to employees did not result in a charge to the profit and loss account.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill. Prior to this, goodwill was:

- amortised on a straight-line basis over a period of not exceeding 20 years; and
- assessed for the impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

- the Group ceased amortisation of goodwill from 1 January 2003;
- accumulated amortisation as at 31 December 2002 has been eliminated with a corresponding decrease in the cost of goodwill;
- from the year ended 31 December 2003 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment.

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Until 31 December 2004, investments of the Group were classified into non-trading securities and trading securities, and were stated in the balance sheet at fair value.

In accordance with the provisions of HKAS 39, the investments have been classified into available-for-sale financial assets, financial assets at fair value through profit or loss and loans and receivables (which include bank deposits and cash and cash equivalents). The classification depends on the purpose for which the investments were held. For debt securities and bank deposits with embedded derivatives for yield enhancement, where the economic characteristics and the risks of such derivatives are not closely related to the bank deposits and debt securities, all such bank deposits, debt securities and the embedded derivatives are designated as financial assets at fair value through profit or loss and with changes in fair value recognized in the profit and loss account. Interest income for financial assets at fair value through profit or loss is included as net realized and unrealized gains/(losses) and interest income of financial assets at fair value through profit or loss.

All relevant changes in the accounting policies have been made in accordance with the provisions of the respective standards, which require retrospective application to prior year comparatives other than:

- HKFRS 2 – retrospective application of all equity instruments granted to employees after 7 November 2002 and not vested at 1 January 2004;
- HKFRS 3 – prospectively after 1 January 2003;
- HKAS 39 – prospectively from 1 January 2005.

Effect of changes in the accounting policies on consolidated profit and loss account

	Effect of adopting					Total
	HKAS 1#	HKAS 17#	HKFRS 2#	HKFRS 3* HKAS 36* & HKAS 38*	HKFRS 32# & HKAS 39^	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>For the three months ended 31 March 2004</i>						
Decrease in depreciation	-	8	-	-	-	8
Increase in MI's share of results for the period	-	(5)	-	-	-	(5)
Decrease in amortisation of goodwill	-	-	-	281	-	281
Decrease in amortisation of negative goodwill	-	-	-	(142)	-	(142)
Decrease in negative goodwill arising during the period	-	-	-	(1,549)	-	(1,549)
	-	3	-	(1,410)	-	(1,407)
Increase (decrease) in basic earnings per share (HK cents)	-	-	-	(0.15)	-	(0.15)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>For the three months ended 31 March 2005</i>						
Increase in staff costs and related expenses	-	-	(5,800)	-	-	(5,800)
Decrease in depreciation	-	8	-	-	-	8
Increase in MI's share of results for the period	-	(5)	-	-	-	(5)
Decrease in amortisation of goodwill	-	-	-	1,083	-	1,083
Decrease in amortisation of negative goodwill	-	-	-	(346)	-	(346)
Decrease in value of guaranteed senior notes	-	-	-	-	30,857	30,857
Increase in negative fair value of derivatives	-	-	-	-	(31,180)	(31,180)
	-	3	(5,800)	737	(323)	(5,383)
Increase (decrease) in basic earnings per share (HK cents)	-	-	(0.62)	0.08	(0.03)	(0.57)

* *adjustments which take effect prospectively from 1 January 2003*

^ *adjustments which take effect prospectively from 1 January 2005*

adjustments which take effect retrospectively

Effect of change in accounting policies on consolidated equity

	HKAS 1#	HKAS 17#	HKFRS 2#	Effect of adopting		Total
				HKFRS 3*	HKFRS 32#	
	HKAS 36*	&	HKAS 38*	HKAS 39^		
	HKAS 1#	HKAS 17#	HKFRS 2#	HKAS 36*	HKAS 39^	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>At 1 January 2004</i>						
Increase (decrease) in equity						
Revaluation reserve	-	(2,683)	-	-	-	(2,683)
Convertible bonds reserve	-	-	-	-	14,651	14,651
Minority Interests	-	(1,133)	-	-	-	(1,133)
Retained earnings	-	1,191	-	18,812	-	20,003
<i>At 31 March 2004</i>						
Increase (decrease) in equity						
Convertible bonds reserve	-	-	-	-	14,651	14,651
Minority Interests	-	(1,128)	-	-	-	(1,128)
Revaluation reserve	-	(2,683)	-	-	-	(2,683)
Retained earnings	-	1,195	-	17,402	-	18,597
<i>At 31 December 2004</i>						
Increase (decrease) in equity						
Employee share-based compensation reserve	-	-	2,733	-	-	2,733
Convertible bonds reserve	-	-	-	-	14,651	14,651
Minority Interests	-	(1,112)	-	-	-	(1,112)
Revaluation reserve	-	(2,683)	-	-	-	(2,683)
Retained earnings	-	1,203	(2,733)	42,082	-	40,552
<i>At 1 January 2005</i>						
Increase (decrease) in equity						
Employee share-based compensation reserve	-	-	2,733	-	-	2,733
Convertible bonds reserve	-	-	-	-	14,651	14,651
Minority Interests	-	(1,112)	-	-	-	(1,112)
Revaluation reserve	-	(2,683)	-	-	-	(2,683)
Retained earnings	-	1,203	(2,733)	42,082	(101,447)	(60,895)
<i>At 31 March 2005</i>						
Increase (decrease) in equity						
Employee share-based compensation reserve	-	-	8,533	-	-	8,533
Convertible bonds reserve	-	-	-	-	14,651	14,651
Minority Interests	-	(1,107)	-	-	-	(1,107)
Revaluation reserve	-	(2,683)	-	-	-	(2,683)
Retained earnings	-	1,207	(8,533)	42,820	(101,770)	(66,276)

* *adjustments which take effect prospectively from 1 January 2003*^ *adjustments which take effect prospectively from 1 January 2005*# *adjustments which take effect retrospectively*

2. INVESTMENT INCOME

Investment income represents the interest earned on bank deposits of the Group.

3. TAXATION

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

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

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

4. EARNINGS PER SHARE

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

	Three months ended 31 March	
	2005	As restated 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purpose of basic earnings per share	58,163	44,804
Effect of dilutive potential shares:		
Interest on convertible note	3,400	1,853
Earnings for the purpose of diluted earnings per share	<u>61,563</u>	<u>46,657</u>
	Three months ended 31 March	
	2005	2004
	No. of shares	
Weighted average number of shares for the purpose of basic earnings per share	942,250,891	941,651,891
Effect of dilutive potential shares:		
Options	18,009,038	20,636,622
Convertible Bonds	97,851,116	97,851,116
Weighted average number of shares for the purpose of diluted earnings per share	<u>1,058,111,045</u>	<u>1,060,139,629</u>

5. RESERVES

	Share		Assets		Employee		Convertible Bonds Reserve	Retained Earning	Total
	Premium Reserve	Exchange Reserve	Revaluation Reserve	Capital Reserve	General Reserve	Share-based compensation Reserve			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2004									
as previously reported	135,092	(1,277)	4,881	1,101	4,310	-	-	358,037	502,144
Effect of changes in accounting policies	-	-	(2,683)	-	-	-	14,651	20,003	31,971
At 1 January 2004	135,092	(1,277)	2,198	1,101	4,310	-	14,651	378,040	534,115
Issue of employees share options	-	-	-	-	-	2,733	-	-	2,733
Exchange difference	-	(3,179)	-	-	-	-	-	-	(3,179)
Premium arising on issue of shares	609,277	-	-	-	-	-	-	-	609,277
Expenses incurred in the issue of Shares	(32,032)	-	-	-	-	-	-	-	(32,032)
Transfer	-	-	-	-	1,248	-	-	(1,248)	-
Net profit for the year	-	-	-	-	-	-	-	284,637	284,637
At 31 December 2004	<u>712,337</u>	<u>(4,456)</u>	<u>2,198</u>	<u>1,101</u>	<u>5,558</u>	<u>2,733</u>	<u>14,651</u>	<u>661,429</u>	<u>1,395,551</u>
At 31 December 2004 as previously reported	712,337	(4,456)	4,881	1,101	5,558	-	-	620,877	1,340,298
Effect of changes in accounting policies	-	-	(2,683)	-	-	2,733	14,651	40,552	55,253
At 31 December 2004 as previously restated	712,337	(4,456)	2,198	1,101	5,558	2,733	14,651	661,429	1,395,551
Effect of adoption of HKAS 39	-	-	-	-	-	-	-	(101,447)	(101,447)
At 1 January 2005	712,337	(4,456)	2,198	1,101	5,558	2,733	14,651	559,982	1,294,104
Issue of employees share options	-	-	-	-	-	5,800	-	-	5,800
Transfer	-	-	-	-	257	-	-	(257)	-
Net profit for the period	-	-	-	-	-	-	-	58,163	58,163
At 31 March 2005	<u>712,337</u>	<u>(4,456)</u>	<u>2,198</u>	<u>1,101</u>	<u>5,815</u>	<u>8,533</u>	<u>14,651</u>	<u>617,888</u>	<u>1,358,067</u>

INTERIM DIVIDEND

The board does not declare an interim dividend for the these months ended 31 March 2005.

(iv) Audited financial statements for the year ended 31 December 2004

Set out below is the audited consolidated income statement, consolidated balance sheet, balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and notes to the financial statements reproduced from the audited accounts published in the Panva Gas Group's Annual Report for the year ended 31 December 2004.

Consolidated Income Statement*For the year ended 31 December 2004*

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	4	1,800,253	1,457,632
Cost of sales		<u>(1,353,382)</u>	<u>(1,073,289)</u>
Gross profit		446,871	384,343
Other operating income	5	15,963	4,218
Distribution expenses		(40,086)	(35,541)
Administrative expenses		(83,915)	(67,248)
Other operating expenses	6	<u>(2,655)</u>	<u>(1,134)</u>
Profit from operations	7	336,178	284,638
Gain on partial disposal of interest in a subsidiary		2,433	541
Loss on disposal of subsidiaries		(374)	(788)
Finance costs	9	<u>(27,826)</u>	<u>(10,257)</u>
Profit before taxation		310,411	274,134
Share of results of an associate		<u>83</u>	<u>–</u>
Taxation	10	<u>310,494</u> <u>(19,711)</u>	<u>274,134</u> <u>(22,875)</u>
Profit before minority interests		290,783	251,259
Minority interests		<u>(26,695)</u>	<u>(42,185)</u>
Net profit for the year		<u><u>264,088</u></u>	<u><u>209,074</u></u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	11	<u><u>28.14</u></u>	<u><u>33.97</u></u>
Diluted	11	<u><u>26.38</u></u>	<u><u>30.36</u></u>

Consolidated Balance Sheet

At 31 December 2004

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	12	1,063,321	615,788
Intangible asset		9,160	9,662
Goodwill	15	21,856	13,954
Negative goodwill		(40,125)	(18,022)
Interest in an associate		70,677	–
Investments in securities	17	10,415	7,906
		<u>1,135,304</u>	<u>629,288</u>
Current assets			
Inventories	18	39,677	36,374
Trade receivables	19	187,451	183,859
Other receivables, deposits and prepayments		401,905	218,411
Amounts due from minority shareholders	20	–	11,246
Bank balances and cash		2,174,503	356,809
		<u>2,803,536</u>	<u>806,699</u>
Current liabilities			
Trade payables	21	24,076	79,062
Other payables and accrued charges		131,443	68,709
Taxation		47,020	29,021
Amounts due to minority shareholders	20	16,495	3,414
Borrowings – amount due within one year	22	29,420	32,526
		<u>248,454</u>	<u>212,732</u>
Net current assets		<u>2,555,082</u>	<u>593,967</u>
Total assets less current liabilities		3,690,386	1,223,255
Non-current liabilities			
Borrowings – amount due after one year	22	1,921,004	378,564
		1,769,382	844,691
Minority interests		<u>(334,859)</u>	<u>(264,637)</u>
Net assets		<u>1,434,523</u>	<u>580,054</u>
Capital and reserves			
Share capital	23	94,225	77,910
Reserves	24	1,340,298	502,144
Shareholders' funds		<u>1,434,523</u>	<u>580,054</u>

Balance Sheet of Panva Gas Holdings Limited*At 31 December 2004*

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>12</i>	1,410	10
Investments in subsidiaries	<i>16</i>	64,100	64,100
		<u>65,510</u>	<u>64,110</u>
Current assets			
Other receivables, deposits and prepayments		28,646	1,633
Amounts due from subsidiaries	<i>16</i>	1,260,453	296,372
Bank balances and cash		1,342,825	197,758
		<u>2,631,924</u>	<u>495,763</u>
Current liabilities			
Other payables and accrued charges		39,333	3,203
Net current assets		<u>2,592,591</u>	<u>492,560</u>
Total assets less current liabilities		2,658,101	556,670
Non-current liabilities			
Borrowings	<i>23</i>	1,903,698	372,016
Net assets		<u>754,403</u>	<u>184,654</u>
Capital and reserves			
Share capital	<i>25</i>	94,225	77,910
Reserves	<i>26</i>	660,178	106,744
Shareholders' funds		<u>754,403</u>	<u>184,654</u>

Consolidated Statement of Changes in Equity*For the year ended 31 December 2004*

	<i>HK\$'000</i>
At 1 January 2003	268,373
Exchange differences arising on translation of financial statements of overseas operations not recognised in the consolidated income statement	(1,085)
Addition to general reserves	883
Issue of shares on conversion of convertible note	16,949
Issue of shares on conversion of convertible bonds	453
Premium arising on issue of shares	100,332
Expenses incurred in connection with issue of convertible bonds	(14,833)
Asset revaluation reserve realised on disposal of subsidiaries	(92)
Net profit for the year	<u>209,074</u>
At 31 December 2003	580,054
Exchange differences arising on translation of financial statements of overseas operations not recognised in the consolidated income statement	(3,179)
Issue of new shares	16,315
Premium arising on issue of shares	609,277
Expenses incurred in connection with issue of shares	(32,032)
Net profit for the year	<u>264,088</u>
At 31 December 2004	<u><u>1,434,523</u></u>

Consolidated Cash Flow Statement*For the year ended 31 December 2004*

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
OPERATING ACTIVITIES		
Profit before taxation	310,411	274,134
Adjustments for:		
Interest income	(13,126)	(3,303)
Interest expenses	19,464	10,176
Gain on partial disposal of interest in a subsidiary	(2,433)	(541)
Loss on disposal of subsidiaries	374	788
Amortisation of goodwill	1,167	790
Amortisation of intangible asset	502	373
Amortisation of premium payable on redemption of convertible bonds	6,972	–
Amortisation of direct issuance costs of guaranteed senior notes	1,270	–
Depreciation and amortisation of property, plant and equipment	38,447	21,553
Loss on disposal of property, plant and equipment	628	889
Negative goodwill released to income	(864)	(428)
	<hr/>	<hr/>
Operating cash flows before movements in working capital	362,812	304,431
Increase in inventories	(1,591)	(11,410)
Increase in trade receivables	(1,827)	(90,237)
Increase in other receivables, deposits and prepayments	(137,288)	(91,842)
Decrease in amounts due from minority shareholders	11,246	30,030
Decrease in trade payables	(57,645)	(11,295)
Decrease in other payables and accrued charges	(37,452)	(2,856)
	<hr/>	<hr/>
Cash generated from operations	138,255	126,821
Interest paid	(11,406)	(10,695)
Income taxes paid	(1,712)	(1,171)
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	125,137	114,955

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(285,655)	(190,505)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	27	(80,662)	(15,173)
Acquisition of an associate		(70,712)	–
Acquisition of additional interest in a subsidiary		(1,151)	(994)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	28	(86)	(3)
Interest received		10,601	3,222
Proceeds from disposal of property, plant and equipment		2,423	5,283
Proceeds from partial disposal of interest in a subsidiary		2,058	1,852
Proceeds from disposal of investments in securities		1,712	–
Purchase of intangible asset		–	(10,035)
Redemption of PRC bonds		–	187
Purchase of investments in securities		–	(5,144)
NET CASH USED IN INVESTING ACTIVITIES		<u>(421,472)</u>	<u>(211,310)</u>
FINANCING ACTIVITIES			
Proceeds from issue of guaranteed senior notes		1,559,000	–
Expenses paid in connection with the issue of guaranteed senior notes		(35,560)	–
Proceeds from issue of shares		625,592	389,750
Expenses paid in connection with the issue of shares		(32,032)	–
Expenses paid in connection with the issue of convertible bonds		–	(14,833)
New bank and other loans raised		46,773	26,146
Capital contribution from minority shareholders of subsidiaries		45,837	11,635
Repayment of bank and other loans		(85,304)	(32,251)
Dividends paid to minority shareholders of subsidiaries		(3,684)	(4,319)
Repayment to minority shareholders		(3,414)	(20,103)
NET CASH FROM FINANCING ACTIVITIES		<u>2,117,208</u>	<u>356,025</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,820,873	259,670
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		356,809	98,224
EFFECT OF FOREIGN EXCHANGE RATES CHANGES		<u>(3,179)</u>	<u>(1,085)</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH		<u><u>2,174,503</u></u>	<u><u>356,809</u></u>

Notes to the Financial Statements

For the year ended 31 December 2004

1. GENERAL

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

The principal activities of the Group are sale and distribution of Liquefied Petroleum Gas (“LP Gas”) and natural gas in the People’s Republic of China (“PRC”) including the sale of LP Gas in bulk and in cylinders, the provision of piped LP Gas and natural gas, construction of gas pipelines, and the sale of LP Gas and natural gas household appliances.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants, (the “HKICPA”) issued a number of new or revised Hong Kong Accounting Standards (“HKASs”) and Hong Kong Financial Reporting Standards (“HKFRSs”) (herein collectively referred to as “new HKFRSs”) which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of leasehold land and buildings.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

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

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill arising on acquisition is capitalised and amortised on a straight line basis over its useful economic life of not more than twenty years. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the consolidated balance sheet as a separate intangible asset.

On disposal of a subsidiary or an associate, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill

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

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

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

Investments in subsidiaries

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

Interest in an associate

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, interest in an associate is stated at the Group's share of net assets of the associate plus the goodwill in so far as it has not already been written off, less any identified impairment loss.

Revenue recognition

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

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

Property, plant and equipment

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

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

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

Depreciation and amortisation is provided to write off the cost or valuation of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Leasehold land	Over the unexpired term of the lease or over the term of the equity joint venture whichever is shorter.
Buildings	3% to 6%
Furniture and fixtures	18% to 20%
Gas pipelines	3%
Leasehold improvements	15%
Motor vehicles	6% to 18%
Plant and equipment	6% to 10%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Construction in progress

Construction in progress, which includes all development expenditure and other direct costs attributable to such projects, is stated at cost less any accumulated impairment losses. It is not depreciated until completion of construction. Costs on completed construction works are transferred to other categories of property, plant and equipment.

Exclusive operating right for city pipeline network

Exclusive operating right for city pipeline network is stated at cost less accumulated amortisation and any identified impairment loss. The cost incurred for the acquisition of exclusive operating right is capitalised and amortised on a straight line basis over the estimated useful life of twenty years.

Investments in securities

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

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Construction contracts

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

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

Convertible bonds

Convertible bonds are regarded as liabilities until conversion actually occurs. The finance cost, including the premium payable upon the final redemption of the convertible bonds, is recognised in the income statement so as to produce a constant periodic rate of charge on the remaining balance of the convertible bonds for each accounting period.

Interest rate swaps

Interest rate swaps of the Group are used for hedging purpose. To qualify as a hedge, the interest rate swap must effectively reduce the interest rate risk of the underlying asset or liability to which it is linked and be designated as a hedge at inception of the contract.

Net interest arising from interest rate swaps is accounted for on an accrual basis and are included in the related category of income and expense in the income statement on the same basis as that arising from the underlying hedging transactions.

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

Operating leases

Rentals payable under operating leases are charged to income statement on a straight line basis over the terms of the respective leases.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefits cost

Payments to the Group's defined contribution retirement benefit scheme, state-sponsored retirement plans and Mandatory Provident Fund Scheme ("MPF Scheme") are charged as expenses as they fall due.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS**Business segments**

For management purposes, the Group is currently organised its operations into two business segments, namely sale and distribution of gas fuel and related products, and gas pipeline construction. The principal activities of the business segments are as follows:

Sale and distribution of gas fuel and related products	–	Sale of LP Gas in bulk and in cylinders, provision of piped LP Gas and natural gas, and sale of LP Gas and natural gas household appliances
Gas pipeline construction	–	Construction of gas pipelines

The Group's operation by business segment is as follows:

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas pipeline construction <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the year ended 31 December 2004			
TURNOVER			
External sales	<u>1,368,664</u>	<u>431,589</u>	<u>1,800,253</u>
RESULT			
Segment result	<u>129,614</u>	<u>225,717</u>	355,331
Other operating income			15,963
Unallocated corporate expenses			<u>(35,116)</u>
Profit from operations			336,178
Gain on partial disposal of interest in a subsidiary			2,433
Loss on disposal of subsidiaries			(374)
Finance costs			<u>(27,826)</u>
			310,411
Share of results of an associate			<u>83</u>
Profit before taxation			310,494
Taxation			<u>(19,711)</u>
Profit before minority interests			290,783
Minority interests			<u>(26,695)</u>
Net profit for the year			<u>264,088</u>

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas pipeline construction <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
For the year ended 31 December 2003			
TURNOVER			
External sales	<u>1,137,872</u>	<u>319,760</u>	<u>1,457,632</u>
RESULT			
Segment results	<u>67,201</u>	<u>224,866</u>	292,067
Other operating income			4,218
Unallocated corporate expenses			<u>(11,647)</u>
Profit from operations			284,638
Gain on partial disposal of interest in a subsidiary			541
Loss on disposal of subsidiaries			(788)
Finance costs			<u>(10,257)</u>
Profit before taxation			274,134
Taxation			<u>(22,875)</u>
Profit before minority interests			251,259
Minority interests			<u>(42,185)</u>
Net profit for the year			<u>209,074</u>

As over 90% of the assets of the Group are attributable to sale and distribution of gas fuel and related products, an analysis of segment assets and liabilities is not presented.

Geographical segments

No geographical segment analysis is shown as the Group's operating businesses are solely carried at the PRC.

5. OTHER OPERATING INCOME

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income	13,126	3,303
Negative goodwill released to income	864	428
Net exchange gain	614	–
Sundry	1,359	487
	<u>15,963</u>	<u>4,218</u>

6. OTHER OPERATING EXPENSES

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on disposal of property, plant and equipment	628	889
Donations	1,015	14
Sundry	1,012	231
	<u>2,655</u>	<u>1,134</u>

7. PROFIT FROM OPERATIONS

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Directors' remuneration (<i>Note 8</i>)	4,473	3,580
Other staff costs	41,172	30,717
Retirement benefits costs	5,118	3,751
	<u>50,763</u>	<u>38,048</u>
Amortisation of intangible asset (included under administrative expenses)	502	373
Amortisation of goodwill (included under administrative expenses)	1,167	790
Auditors' remuneration	1,549	1,392
Depreciation and amortisation of property, plant and equipment	38,447	21,553
Operating lease rentals in respect of land and buildings	<u>7,194</u>	<u>7,593</u>

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' emoluments:		
Fees:		
Executive directors	–	–
Non-executive directors	–	–
Independent non-executive directors	639	–
	<u>639</u>	<u>–</u>
Other emoluments for executive directors:		
Salaries and other benefits	3,705	3,189
Bonus	30	300
Retirement benefits scheme contributions	99	91
	<u>3,834</u>	<u>3,580</u>
Other emoluments for non-executive directors	<u>–</u>	<u>–</u>
Other emoluments for independent non-executive directors	<u>–</u>	<u>–</u>
	<u><u>4,473</u></u>	<u><u>3,580</u></u>

Details of directors' remuneration by individuals are as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive director A	2,112	2,081
Executive director B	562	535
Executive director C	410	238
Executive director D	272	–
Executive director E	272	–
Executive director F	158	–
Executive director G	48	726
Executive director H	–	–
Non-executive director I	–	–
Non-executive director J	–	–
Non-executive director K	–	–
Independent non-executive director L	300	–
Independent non-executive director M	300	–
Independent non-executive director N	39	–
	<u><u>39</u></u>	<u><u>–</u></u>

Employees' emoluments:

For the year ended 31 December 2004, the five highest paid individuals of the Group included five directors (2003: four directors), details of their emoluments are included above.

The emoluments of the remaining highest paid individual for the year ended 31 December 2003, representing salaries and other benefits paid, amounted to HK\$603,000.

9. FINANCE COSTS

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
bank and other borrowings wholly repayable		
within five years	11,047	10,176
bank and other borrowing not wholly repayable		
within five years	34,656	–
Amortisation of premium payable on redemption of convertible bonds	6,972	–
Amortisation of direct issuance costs of guaranteed senior notes	1,270	–
	<u>53,945</u>	<u>10,176</u>
Net interest receivable on interest rate swaps	(26,239)	–
	<u>27,706</u>	<u>10,176</u>
Bank charges	120	81
	<u>27,826</u>	<u>10,257</u>

10. TAXATION

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

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

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

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

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit before taxation	<u>310,494</u>	<u>274,134</u>
Tax at the applicable tax rate of 33% (2003: 33%)	102,463	90,464
Tax effect of expenses that are not deductible for tax purposes	13,244	7,391
Tax effect of income that is exempted from PRC enterprise income tax in determining taxable profit	(73,571)	(58,444)
Effect of different tax rates of subsidiaries entitled to a 50% reduction in PRC enterprise income tax rates and operating in different provinces	(23,621)	(21,907)
Tax effect of tax losses not recognised	<u>1,196</u>	<u>5,371</u>
Tax charge for the year	<u>19,711</u>	<u>22,875</u>

At the balance sheet date, the Group has estimated unused tax losses of HK\$49,559,000 (2003: HK\$43,304,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Such unrecognised tax losses will expire within five years from the date of origination.

11. EARNINGS PER SHARE

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

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Earnings for the purposes of basic earnings per share	264,088	209,074
Effect of dilutive potential shares:		
Interest on convertible bonds	<u>14,412</u>	<u>5,408</u>
Earnings for the purposes of diluted earnings per share	<u>278,500</u>	<u>214,482</u>
	Number of shares	
Weighted average number of shares for the purposes of basic earnings per share	938,499,000	615,401,000
Effect of dilutive potential shares:		
Options	19,341,000	25,884,000
Convertible bonds	<u>97,851,000</u>	<u>65,234,000</u>
Weighted average number of shares for the purposes of diluted earnings per share	<u>1,055,691,000</u>	<u>706,519,000</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Medium term leasehold land and buildings in the PRC HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Gas pipelines HK\$'000	Motor vehicles HK\$'000	Plant and equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
THE GROUP								
COST OR VALUATION								
At 1 January 2004	90,815	2,806	9,012	346,481	27,122	155,032	54,052	685,320
Additions	2,541	1,159	2,364	-	5,538	2,247	271,806	285,655
On acquisition of subsidiaries	15,872	-	538	173,854	725	2,735	9,801	203,525
Disposals	(959)	-	(347)	(629)	(2,405)	(1,039)	-	(5,379)
On disposal of subsidiaries	-	-	(27)	-	(90)	(139)	-	(256)
Transfer	530	-	(31)	300,714	-	145	(301,358)	-
At 31 December 2004	108,799	3,965	11,509	820,420	30,890	158,981	34,301	1,168,865
Comprising:								
At cost	-	3,965	11,509	820,420	30,890	158,981	34,301	1,060,066
At valuation - 2004	108,799	-	-	-	-	-	-	108,799
	108,799	3,965	11,509	820,420	30,890	158,981	34,301	1,168,865
DEPRECIATION AND AMORTISATION								
At 1 January 2004	7,317	22	2,889	11,903	10,743	36,658	-	69,532
Provided for the year	3,426	296	1,669	20,371	3,476	9,209	-	38,447
Eliminated on disposals	(38)	-	(245)	(5)	(1,672)	(368)	-	(2,328)
Eliminated on disposal of subsidiaries	-	-	(8)	-	(60)	(39)	-	(107)
At 31 December 2004	10,705	318	4,305	32,269	12,487	45,460	-	105,544
NET BOOK VALUES								
At 31 December 2004	98,094	3,647	7,204	788,151	18,403	113,521	34,301	1,063,321
At 31 December 2003	83,498	2,784	6,123	334,578	16,379	118,374	54,052	615,788

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

No professional valuation of the leasehold land and buildings was carried out at 31 December 2004 as, in the opinion of the directors, the carrying value of the leasehold land and buildings was not materially different from the open market value at 31 January 2001.

If the leasehold land and buildings had not been revalued they would have been included in these financial statements at historical cost less accumulated depreciation and amortisation at HK\$94,495,000 (2003: HK\$78,160,000).

The Group pledged its property, plant and equipment with an aggregate net book value of approximately HK\$56,472,000 (2003: HK\$43,963,000) to secure banking facilities granted to the Group.

	Plant and equipment <i>HK\$'000</i>
THE COMPANY	
COST	
At 1 January 2004	13
Additions	<u>1,623</u>
At 31 December 2004	<u>1,636</u>
DEPRECIATION	
At 1 January 2004	3
Provided for the year	<u>223</u>
At 31 December 2004	<u>226</u>
NET BOOK VALUES	
At 31 December 2004	<u><u>1,410</u></u>
At 31 December 2003	<u><u>10</u></u>
13. INTANGIBLE ASSET	

	THE GROUP Exclusive operating right for city pipeline network <i>HK\$'000</i>
COST	
At 1 January 2004 and 31 December 2004	<u>10,035</u>
AMORTISATION	
At 1 January 2004	373
Provided for the year	<u>502</u>
At 31 December 2004	<u>875</u>
NET BOOK VALUES	
At 31 December 2004	<u><u>9,160</u></u>
At 31 December 2003	<u><u>9,662</u></u>

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

14. GOODWILL

	THE GROUP
	2004
	<i>HK\$'000</i>
COST	
At 1 January 2004	15,801
Arising on acquisition of subsidiaries	8,951
	<u>24,752</u>
At 31 December 2004	24,752
AMORTISATION	
At 1 January 2004	1,847
Provided the year	1,049
	<u>2,896</u>
At 31 December 2004	2,896
NET BOOK VALUES	
At 31 December 2004	<u>21,856</u>
At 31 December 2003	<u>13,954</u>

The goodwill, which arose from acquisition of subsidiaries, is amortised on a straight line basis over its estimated useful life of twenty years.

15. NEGATIVE GOODWILL

	THE GROUP
	2004
	<i>HK\$'000</i>
GROSS AMOUNT	
At 1 January 2004	18,569
Arising on acquisition of subsidiaries	22,646
Arising on acquisition of additional interest in a subsidiary	321
	<u>41,536</u>
At 31 December 2004	41,536
RELEASED TO INCOME	
At 1 January 2004	547
Released during the year	864
	<u>1,411</u>
At 31 December 2004	1,411
CARRYING AMOUNT	
At 31 December 2004	<u>40,125</u>
At 31 December 2003	<u>18,022</u>

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

16. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

THE COMPANY
2004 & 2003
HK\$'000

Unlisted investments, at cost	64,100
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The amounts due from subsidiaries are unsecured, interest-free and are repayable on demand.

Particulars of the Company's subsidiaries at 31 December 2004 are set out in note 35.

17. INTEREST IN AN ASSOCIATE

THE GROUP
2004 **2003**
HK\$'000 *HK\$'000*

Share of net assets	35,377	–
Goodwill on acquisition of an associate (<i>Note</i>)	35,300	–
	70,677	–

Details of the Group's associate as at 31 December 2004 are as follows:

Name of associate	Place of establishment and operations	Percentage of equity interest attributable to the Group	Principal activities
Foshan the Panva Gas Group Ltd. 佛山市燃氣集團有限公司	PRC – Sino-foreign equity joint venture	45%	Provision of LP Gas and related services and gas pipeline construction

Note:

Details of movements of goodwill on acquisition of an associate are as follows:

THE GROUP
HK\$'000

COST	
Arising from acquisition of an associate and balance at 31 December 2004	35,418
AMORTISATION	
Provided for the year and balance at 31 December 2004	(118)
NET BOOK VALUE	
At 31 December 2004	35,300

The goodwill is amortised on a straight line basis over its estimated useful economic life of twenty years.

18. INVESTMENTS IN SECURITIES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment securities		
Unlisted shares in the PRC, at cost	<u>10,415</u>	<u>7,906</u>

In the opinion of the directors, the investment securities are held for identified long-term strategic purpose and their carrying amounts are fully recoverable.

19. INVENTORIES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finished goods	14,430	23,442
Consumables	<u>25,247</u>	<u>12,932</u>
	<u>39,677</u>	<u>36,374</u>

All inventories were stated at cost.

20. TRADE RECEIVABLES

The Group has a policy of allowing an average credit period ranging from 0 to 90 days to its customers. The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	184,318	132,853
91 to 180 days	841	46,872
181 to 360 days	1,798	2,430
Over 360 days	<u>494</u>	<u>1,704</u>
	<u>187,451</u>	<u>183,859</u>

21. AMOUNTS DUE FROM/TO MINORITY SHAREHOLDERS

THE GROUP

The amounts are unsecured, interest-free and are repayable on demand.

22. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
0 to 90 days	16,537	72,702
91 to 180 days	2,762	1,133
181 to 360 days	3,167	763
Over 360 days	1,610	4,464
	<u>24,076</u>	<u>79,062</u>

23. BORROWINGS

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans – secured	26,941	32,863	–	–
Bank loans – unsecured	18,850	5,239	–	–
Other loans – unsecured	935	972	–	–
Convertible bonds (<i>Note a</i>)	378,988	372,016	378,988	372,016
Guaranteed senior notes (<i>Note b</i>)	1,524,710	–	1,524,710	–
	<u>1,950,424</u>	<u>411,090</u>	<u>1,903,698</u>	<u>372,016</u>

The maturity profile of the above borrowings is as follows:

On demand or within one year	29,420	32,526	–	–
More than one year but not exceeding two years	17,306	3,929	–	–
More than two years but not exceeding five years	378,988	374,635	378,988	372,016
More than five years	1,524,710	–	1,524,710	–
	1,950,424	411,090	1,903,698	372,016
Less: Amount due within one year shown under current liabilities	<u>(29,420)</u>	<u>(32,526)</u>	<u>–</u>	<u>–</u>
Amount due after one year	<u>1,921,004</u>	<u>378,564</u>	<u>1,903,698</u>	<u>372,016</u>

Notes:

- (a) The convertible bonds were issued on 23 April 2003. The bonds are convertible into shares of the Company on or after 7 June 2003 and up to 9 April 2008. The conversion price at which each share shall be issued upon conversion was HK\$3.8043 per share (adjusted to account for the effect of the issue of additional new shares). The outstanding unconverted principal amount of the bonds will be redeemed on 23 April 2008 at 108.119%. Interest of 2% is payable per annum.
- (b) The Group issued US\$200,000,000 8.25% guaranteed senior notes due 2011 (the "Guaranteed Senior Notes") on 23 September 2004. The Guaranteed Senior Notes are listed on the Singapore Exchange Securities Trading Limited. The Guaranteed Senior Notes bear interest at 8.25% per annum, payable semi-annually in arrears. At any time prior to 23 September 2007, the Company may redeem up to 35% of the principal amount of the Guaranteed Senior Notes with the net cash proceeds of one or more sales of the Company's shares in an offering at a redemption price of 108.25% of the principal amount of the Guaranteed Senior Notes, plus accrued and unpaid interest, if any, to the redemption date.

	THE GROUP AND THE COMPANY	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guaranteed Senior Notes	1,559,000	–
Less: Direct issuance costs (<i>Note 24</i>)	(34,290)	–
	<u>1,524,710</u>	<u>–</u>

- (c) The bank and other loans carry interest at the prevailing market rates.

24. DIRECT ISSUANCE COSTS OF GUARANTEED SENIOR NOTES

	THE GROUP AND THE COMPANY	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Direct issuance costs incurred during the year	35,560	–
Less: Amortisation for the year	(1,270)	–
Balance at end of the year	<u>34,290</u>	<u>–</u>

The amount represents direct issuance costs incurred in relation to the Guaranteed Senior Notes as explained in note 23, as reduced by subsequent amortisation. The direct issuance costs are amortised on a straight line basis over the lives of the Guaranteed Senior Notes from the date of issue to their final maturity date.

25. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Shares of HK\$0.1 each		
Authorised:		
At 1 January 2003, 31 December 2003 and 31 December 2004	<u>2,000,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 January 2003	605,076,000	60,508
Issue of shares on conversion of convertible note	169,492,000	16,949
Issue of shares on conversion of convertible bonds	<u>4,530,000</u>	<u>453</u>
At 31 December 2003	779,098,000	77,910
Issue of shares on placing and subscription arrangements	155,200,000	15,520
Issue of shares on the exercise of share options	<u>7,953,000</u>	<u>795</u>
At 31 December 2004	<u>942,251,000</u>	<u>94,225</u>

Changes in the share capital of the Company during the year ended 31 December 2003 are as follows:

- (a) On 5 December 2003, the Company issued 169,491,525 shares of HK\$0.1 each in the Company upon conversion of HK\$100,000,000 convertible note by the noteholder at a conversion price of HK\$0.59.
- (b) During the year, 4,530,366 shares of HK\$0.1 each in the Company were issued for a total consideration of HK\$17,744,000 to the convertible bondholders at the conversion price of HK\$3.9169.

Changes in the share capital of the Company during the current year are as follows:

- (c) On 8 January 2004, the Company issued 155,200,000 shares of HK\$0.1 each pursuant to the agreements in respect of placing and subscription of shares of the Company that Sinolink Worldwide Holdings Limited ("Sinolink") placed 155,200,000 existing shares of the Company to independent investors at HK\$4.00 per share and subscribed for the same number of new shares issued by the Company at the same price per share.

The Company intended to use the net proceeds from the new issue of shares to further develop the Group's business and for general working capital purposes.

- (d) The Company allotted and issued a total of 5,770,000 and 2,183,000 shares of HK\$0.1 each for cash at the exercise prices of HK\$0.475 and HK\$0.94 per share respectively as a result of the exercise of share options.

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

26. RESERVES

	Share premium	Exchange reserve	Capital reserve	General reserves	Asset revaluation reserves	Accumulated profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP							
At 1 January 2003	49,593	(192)	1,101	2,077	4,973	150,313	207,865
Addition during the year	-	-	-	883	-	-	883
Exchange differences arising on translation of financial statements of overseas operations	-	(1,085)	-	-	-	-	(1,085)
Premium arising on issue of shares	100,332	-	-	-	-	-	100,332
Expenses incurred in connection with the issue of convertible bonds	(14,833)	-	-	-	-	-	(14,833)
Disposal of subsidiaries	-	-	-	-	(92)	-	(92)
Transfer	-	-	-	1,350	-	(1,350)	-
Net profit for the year	-	-	-	-	-	209,074	209,074
At 1 January 2004	135,092	(1,277)	1,101	4,310	4,881	358,037	502,144
Exchange differences arising on translation of financial statements of overseas operations	-	(3,179)	-	-	-	-	(3,179)
Premium arising on issue of shares	609,277	-	-	-	-	-	609,277
Expenses incurred in connection with the issue of shares	(32,032)	-	-	-	-	-	(32,032)
Transfer	-	-	-	1,248	-	(1,248)	-
Net profit for the year	-	-	-	-	-	264,088	264,088
At 31 December 2004	<u>712,337</u>	<u>(4,456)</u>	<u>1,101</u>	<u>5,558</u>	<u>4,881</u>	<u>620,877</u>	<u>1,340,298</u>

	Share premium	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE COMPANY			
At 1 January 2003	49,593	(14,043)	35,550
Premium arising on issue of shares	100,332	–	100,332
Expenses incurred in connection with the issue of convertible bonds	(14,833)	–	(14,833)
Net loss for the year	–	(14,305)	(14,305)
At 1 January 2004	135,092	(28,348)	106,744
Premium arising on issue of shares	609,277	–	609,277
Expenses incurred in connection with the issue of shares	(32,032)	–	(32,032)
Net loss for the year	–	(23,811)	(23,811)
At 31 December 2004	<u>712,337</u>	<u>(52,159)</u>	<u>660,178</u>

General reserves represent the Enterprise Expansion Fund and General Reserve Fund set aside by certain subsidiaries in accordance with the relevant laws and regulations of the PRC. They are not available for distribution.

Capital reserve represents the contribution from the minority shareholders of the subsidiaries waived.

The Company's reserves available for distribution represent the share premium and accumulated profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends can be distributed out of the share premium, net of accumulated losses of the Company of HK\$660,178,000 (2003: HK\$106,744,000).

27. ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired 100% registered capital of Cangxi Panva Gas Co., Ltd., Daiyi Panva Gas Co., Ltd., and Zhongjiang Panva Gas Co., Ltd.. The Group also acquired 90% of the registered capital of Yuechi Panva Gas Co., Ltd.. These acquisitions have been accounted for by the acquisition method of accounting. The aggregate amount of goodwill and negative goodwill arising as a result of the acquisitions was HK\$8,951,000 and HK\$22,646,000 respectively.

	2004 HK\$'000	2003 HK\$'000
Net assets acquired:		
Property, plant and equipment	203,525	82,854
Investments in securities	4,221	2,010
Inventories	1,749	2,092
Trade receivables	1,794	288
Other receivables, deposits and prepayments	17,615	24,188
Bank balances and cash	3,405	543
Trade payables	(2,659)	(2,077)
Other payables and accrued charges	(65,958)	(51,634)
Borrowings	(46,183)	(30,580)
Minority interests	(3,252)	(1,273)
	<u>114,257</u>	<u>26,411</u>
Goodwill	8,951	–
Negative goodwill	(22,646)	(6,954)
	<u>100,562</u>	<u>19,457</u>
Total consideration	<u>100,562</u>	<u>19,457</u>
Satisfied by		
Cash	84,067	15,716
Amounts due to minority shareholders	16,495	3,741
	<u>100,562</u>	<u>19,457</u>
Net cash outflow arising on acquisition:		
Cash consideration	(84,067)	(15,716)
Bank balances and cash acquired	3,405	543
	<u>(80,662)</u>	<u>(15,173)</u>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u>(80,662)</u>	<u>(15,173)</u>

The subsidiaries acquired during the year contributed HK\$191,346,000 (2003: HK\$79,027,000) to the Group's turnover, and HK\$128,405,000 (2003: HK\$63,966,000) to the Group's profit from operations.

28. DISPOSAL OF SUBSIDIARIES

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets disposed of:		
Property, plant and equipment	149	1,833
Inventories	37	114
Trade receivables	29	52
Other receivables, deposits and prepayments	173	94
Bank balances and cash	126	3
Trade payables	–	(1,061)
Other payables and accrued charges	(69)	(16)
Minority interests	(31)	(139)
Asset revaluation reserves	–	(92)
	<u>414</u>	<u>788</u>
Loss on disposal	<u>(374)</u>	<u>(788)</u>
Total consideration	<u>40</u>	<u>–</u>
Net cash inflow arising on disposal:		
Proceeds received on disposal	40	–
Bank balances and cash disposed of	<u>(126)</u>	<u>3</u>
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>86</u>	<u>3</u>

29. MAJOR NON-CASH TRANSACTION

On 5 December 2003, the Company issued 169,492,000 shares of HK\$0.1 each in the Company upon exercise of HK\$100,000,000 convertible note held by Supreme All Investments Limited (“Supreme All”), a wholly-owned subsidiary of Sinolink. The new shares issued rank pari passu with the existing shares in all aspects.

30. RELATED PARTY TRANSACTIONS

During the year, the following related party transactions took place:

Name of related party	Nature of transactions	2004	2003
		<i>HK\$'000</i>	<i>HK\$'000</i>
Sinolink (<i>Note a</i>)	Licence fee expense (<i>Note d</i>)	460	374
Shenzhen Sinolink Enterprises Co., Limited (<i>Note b</i>)	Rental expense (<i>Note d</i>)	325	380
Supreme All (<i>Note c</i>)	Convertible note interest (<i>Note e</i>)	<u>–</u>	<u>2,811</u>

Notes:

- (a) Mr. Ou Yaping, director and shareholder of the Company, has a direct beneficial interest in this company.
- (b) It is a fellow subsidiary of the Company, of which Mr. Ou Yaping is a director.
- (c) It is a wholly-owned subsidiary of Sinolink.
- (d) Licence fee expense and rental expense were determined by the directors based on the directors' estimates of fair market value.
- (e) Interest of 3% is paid payable per annum.

31. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	4,979	4,088
In the second to fifth years inclusive	10,602	12,602
Over five years	14,518	18,719
	<u>30,099</u>	<u>35,409</u>

Operating lease payments represent rental payable by the Group for certain of its office properties. Leases are negotiated for terms up to 30 years.

The Company had no operating lease commitment at the balance sheet date.

32. CAPITAL COMMITMENTS

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted for but not provided in the financial statements in respect of unpaid capital contribution of investment projects	<u>526,008</u>	<u>186,361</u>

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

33. SHARE OPTIONS

The Company's Pre-Listing Share Option Scheme (the "Pre-Listing Options") and share option scheme (the "Scheme") were adopted pursuant to resolutions passed on 4 April 2001 for providing incentives to directors and eligible employees and, unless otherwise cancelled or amended, will expire on 3 April 2011. Under the Pre-Listing Option Scheme and the Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company, any of its subsidiaries, to subscribe for shares in the Company.

Movements of the share options, which were all held by directors and senior management, during the year were as follows:

	Number of share options				Outstanding at end of year
	Outstanding at beginning of year	Granted during the year	Exercised during the year	Lapsed during the year	
For the year ended					
31 December 2004	<u>31,464,000</u>	<u>21,200,000</u>	<u>(7,953,000)</u>	<u>(1,072,000)</u>	<u>43,639,000</u>
For the year ended					
31 December 2003	<u>37,144,000</u>	<u>–</u>	<u>–</u>	<u>(5,680,000)</u>	<u>31,464,000</u>

When the share options are exercised and new shares are issued, the share capital is increased by the nominal value of the new shares issued and the share premium account is increased by the remainder of the proceeds. No charge is recognised in the income statement in respect of the value of share options granted. Had all the outstanding share options been fully exercised on 31 December 2004, the Company would have received HK\$89,572,000 in proceeds. Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK\$
Pre-Listing Options	04.04.2001	01.01.2003 – 03.04.2011	0.475
	04.04.2001	01.01.2004 – 03.04.2011	0.475
2001	13.11.2001	13.02.2002 – 13.02.2007	0.940
	13.11.2001	13.05.2002 – 13.02.2007	0.940
	13.11.2001	13.11.2002 – 13.02.2007	0.940
2004	19.11.2004	31.12.2005 – 30.03.2011	3.500
	19.11.2004	31.12.2006 – 30.03.2011	3.500
	19.11.2004	31.12.2007 – 30.03.2011	3.500

Nominal consideration for options granted during the year was received.

The market price of the shares of the Company on the dates of exercise of the share options during the year was at a range of HK\$3.82 to HK\$4.01 per share.

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

34. RETIREMENT BENEFITS SCHEMES

The Group's subsidiaries operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. The Group is required to make specific contributions to the retirement schemes at a rate of 12 to 25 percent of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made. Pursuant to these arrangements, the retirement plan contributions paid for the year ended 31 December 2004 amounted to approximately HK\$5,113,000 (2003: HK\$3,740,000).

The Group has joined a MPF Scheme for all its non-PRC employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. The retirement benefits scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme. During the year, the Group made retirement benefits scheme contributions amounting to HK\$104,000 (2003: HK\$102,000).

35. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2004 are as follows:

Name of company	Place of incorporation/ establishment and operation	Issued and paid up share capital/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
DIRECTLY- OWNED SUBSIDIARY				
China Pan River Group Ltd.	BVI – Limited liability company	US\$12,821	100%	Investment holding
INDIRECTLY- OWNED SUBSIDIARIES				
<i>Investment holding companies</i>				
China Overlink Holdings Co., Limited	BVI – Limited liability company	US\$1	100%	Investment holding
Panriver Investments Company Limited 百江投资有限公司	PRC – Limited liability company	US\$30,000,000	100%	Investment holding
Singkong Investments Limited 盛港投资有限公司	Hong Kong – Limited liability company	HK\$10,000	100%	Investment holding
Sinolink LPG Investment Limited	BVI – Limited liability company	US\$1	100%	Investment holding

Name of company	Place of incorporation/ establishment and operation	Issued and paid up share capital/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
Sinolink Power Investment Limited	BVI – Limited liability company	US\$1	100%	Investment holding
<i>Operating subsidiaries</i>				
Auhui province				
Panva (Chizhou) Gas Co., Ltd. 池州百江燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB20,000,000	60%	Provision of LP Gas and related services and gas pipeline construction
Pan River Enterprises (Wuhu) Co., Ltd. 蕪湖百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB32,000,000	55%	Wholesaling and retailing of LP Gas
Guizhou province				
Pan River Gas (China Southwest) Co., Ltd. ("Panva Southwest") 百江西南燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB16,000,000	50.10%	Wholesaling and retailing of LP Gas
Pan River Gas (Zunyi) Co., Ltd. 遵義百江燃氣有限公司	PRC – Limited liability company	RMB4,200,000	50.10%	Wholesaling and retailing of LP Gas
Hunan province				
Chenzhou Pan River Gas Industry Co., Ltd. 郴州百江燃氣實業有限公司	PRC – Sino-foreign equity joint venture	RMB9,000,000	60%	Wholesaling and retailing of LP Gas
Changde Pan River Enterprises Co., Ltd. 常德百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB6,000,000	85%	Wholesaling and retailing of LP Gas
Changsha Pan River Enterprises Co., Ltd. 長沙百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB40,000,000	60%	Wholesaling and retailing of LP Gas
Pan River Enterprises (Hengyang) Co., Ltd. 衡陽百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB6,000,000	84%	Wholesaling and retailing of LP Gas
Xiang Tan Pan River Energy Industry Co., Ltd. 湘潭百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB10,000,000	60%	Wholesaling and retailing of LP Gas

Name of company	Place of incorporation/ establishment and operation	Issued and paid up share capital/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
Yi Yang Pan River Enterprises Co., Ltd. 益陽百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB5,000,000	60%	Wholesaling and retailing of LP Gas
Pan River Enterprises (Yongzhou) Co., Ltd. 永州百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB5,000,000	60%	Wholesaling and retailing of LP Gas
Jiangsu province				
Nanjing Panva LPG Company Ltd. 南京百江液化氣有限公司	PRC – Sino-foreign equity joint venture	RMB50,000,000	55%	Wholesaling and retailing of LP Gas
Nanjing Panva Pipeline Gas Co., Ltd. 南京百江管道燃氣有限公司	PRC – Sino-foreign equity joint venture	US\$1,010,000	77.95%	Provision of LP Gas and related services and gas pipeline construction
Yangzhou YPC & Panva Gas Co., Ltd. 揚州揚子石化百江燃氣有限公司	PRC – Limited liability company	RMB10,000,000	27.5% (Note 3)	Wholesaling and retailing of LP Gas
YPC & Panva Energy Company Limited (“Yangzi Panva”) 揚子石化百江能源有限公司	PRC – Sino-foreign equity joint venture	US\$7,230,000	50% (Note 2)	Wholesaling and retailing of LP Gas
Shandong province				
Jinan Panva Gas Co., Ltd. 濟南百江燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB100,000,000	51%	Provision of LP Gas and related services and gas pipeline construction
Sichuan province				
Cangxi Panva Gas Co., Ltd. 蒼溪百江燃氣有限公司	PRC – Limited liability company	RMB8,000,000	100%	Provision of natural gas and related services and gas pipeline construction
Dayi Panva Gas Co., Ltd. 大邑百江燃氣有限公司	PRC – Limited liability company	RMB3,300,000	100%	Provision of natural gas and related services and gas pipeline construction

Name of company	Place of incorporation/ establishment and operation	Issued and paid up share capital/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
Le Zhi Panva Gas Co., Ltd. 樂至百江燃氣有限公司	PRC – Limited liability company	RMB14,800,000	100%	Provision of natural gas and related services and gas pipeline construction
Pengxi Panva Gas Co., Ltd. 蓬溪百江燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB3,590,000	90%	Provision of natural gas and related services and gas pipeline construction
Pingchang Panva Gas Co., Ltd. 平昌百江燃氣有限公司	PRC – Limited liability company	RMB8,000,000	90%	Provision of natural gas and related services and gas pipeline construction
Weiyuan Panva Gas Co., Ltd. 威遠百江燃氣有限公司	PRC – Limited liability company	RMB5,000,000	99.5%	Provision of natural gas and related services and gas pipeline construction
Yuechi Panva Gas Co., Ltd. 岳池百江燃氣有限公司	PRC – Limited liability company	RMB8,000,000	90%	Provision of natural gas and related services and gas pipeline construction
Zhongjiang Panva Gas Co., Ltd. 中江百江燃氣有限公司	PRC – Limited liability company	RMB18,816,000	100%	Provision of natural gas and related services and gas pipeline construction
Ziyang Panva Gas Co., Ltd. 資陽百江燃氣有限公司	PRC – Limited liability company	RMB9,890,000	90%	Provision of natural gas and related services and gas pipeline construction
Yunnan province				
Panva Gas (Yunnan) Co., Ltd. 雲南百江燃氣有限公司	PRC – Limited liability company	RMB58,840,000	28.53% (Note 1)	Wholesaling and retailing of LP Gas

Notes:

1. Panva Southwest holds a 56.94% equity interest.
2. Yangzi Panva is a subsidiary of the Company because the Group has control over its board of directors.
3. Yangzi Panva holds a 55% equity interest.

None of the subsidiaries had issued any outstanding debts securities as at the balance sheet date.

(v) Audited financial statements for the year ended 31 December 2003

Set out below is the audited consolidated income statement, consolidated balance sheet, balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and notes to the financial statements reproduced from the audited accounts published in the Panva Gas Group's Annual Report for the year ended 31 December 2003.

Consolidated Income Statement*For the year ended 31 December 2003*

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	4	1,457,632	1,150,322
Cost of sales		<u>(1,073,289)</u>	<u>(888,427)</u>
Gross profit		384,343	261,895
Other operating income	5	4,218	2,752
Distribution expenses		(35,541)	(27,015)
Administrative expenses		(67,248)	(54,295)
Other operating expenses	6	<u>(1,134)</u>	<u>(1,818)</u>
Profit from operations	7	284,638	181,519
Loss on disposal of subsidiaries		(788)	–
Gain on partial disposal of a subsidiary		541	–
Finance costs	8	<u>(10,257)</u>	<u>(3,216)</u>
Profit before taxation		274,134	178,303
Taxation	10	<u>(22,875)</u>	<u>(8,545)</u>
Profit before minority interests		251,259	169,758
Minority interests		<u>(42,185)</u>	<u>(37,220)</u>
Net profit for the year		<u><u>209,074</u></u>	<u><u>132,538</u></u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	11	<u><u>33.97</u></u>	<u><u>21.97</u></u>
Diluted	11	<u><u>30.36</u></u>	<u><u>17.44</u></u>

Consolidated Balance Sheet*At 31 December 2003*

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>12</i>	615,788	371,987
Intangible asset	<i>14</i>	9,662	–
Goodwill	<i>15</i>	13,954	14,744
Negative goodwill	<i>16</i>	(18,022)	(9,366)
Investments in securities	<i>17</i>	7,906	939
		<u>629,288</u>	<u>378,304</u>
Current assets			
Inventories	<i>18</i>	36,374	22,986
Trade receivables	<i>19</i>	183,859	93,386
Other receivables, deposits and prepayments		218,411	101,364
Amounts due from minority shareholders	<i>20</i>	11,246	41,276
Bank balances and cash		356,809	98,224
		<u>806,699</u>	<u>357,236</u>
Current liabilities			
Trade payables	<i>21</i>	79,062	89,341
Other payables and accruals		68,709	16,725
Taxation		29,021	7,317
Amounts due to minority shareholders	<i>20</i>	3,414	23,517
Borrowings	<i>22</i>	32,526	14,599
		<u>212,732</u>	<u>151,499</u>
Net current assets		<u>593,967</u>	<u>205,737</u>
Total assets less current liabilities		1,223,255	584,041
Non-current liability			
Borrowings	<i>22</i>	378,564	100,000
		844,691	484,041
Minority interests		<u>(264,637)</u>	<u>(215,668)</u>
Net assets		<u>580,054</u>	<u>268,373</u>
Capital and reserves			
Share capital	<i>23</i>	77,910	60,508
Reserves	<i>24</i>	502,144	207,865
Shareholders' funds		<u>580,054</u>	<u>268,373</u>

Balance Sheet*At 31 December 2003*

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>12</i>	10	–
Investments in subsidiaries	<i>13</i>	64,100	64,100
		<u>64,110</u>	<u>64,100</u>
Current assets			
Other receivables, deposits and prepayments		1,633	1,063
Amounts due from subsidiaries	<i>13</i>	296,372	128,447
Bank balances and cash		197,758	6,060
		<u>495,763</u>	<u>135,570</u>
Current liabilities			
Accrued charges		3,203	3,612
Net current assets			
		<u>492,560</u>	<u>131,958</u>
Total assets less current liabilities			
		556,670	196,058
Non-current liabilities			
Borrowings	<i>22</i>	372,016	100,000
Net assets			
		<u>184,654</u>	<u>96,058</u>
Capital and reserves			
Share capital	<i>23</i>	77,910	60,508
Reserves	<i>24</i>	106,744	35,550
		<u>184,654</u>	<u>96,058</u>

Consolidated Statement of Changes in Equity*For the year ended 31 December 2003*

	Share capital	Share premium	Exchange reserve	Asset revaluation reserves	Capital reserve	General reserves	Retained profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2002	50,000	55,329	(107)	4,973	1,101	1,212	18,640	131,148
Exchange difference on translation of overseas operations and net loss not recognised in income statement	-	-	(85)	-	-	-	-	(85)
Issue of shares	505	4,267	-	-	-	-	-	4,772
Bonus issue	10,003	(10,003)	-	-	-	-	-	-
Transfer	-	-	-	-	-	865	(865)	-
Net profit for the year	-	-	-	-	-	-	132,538	132,538
At 1 January 2003	60,508	49,593	(192)	4,973	1,101	2,077	150,313	268,373
Issue of shares on conversion of convertible note	16,949	-	-	-	-	-	-	16,949
Issue of shares on conversion of convertible bonds	453	-	-	-	-	-	-	453
Addition during the year	-	-	-	-	-	883	-	883
Expenses incurred in connection with issue of convertible bonds	-	(14,833)	-	-	-	-	-	(14,833)
Disposal of subsidiaries	-	-	-	(92)	-	-	-	(92)
Premium arising on issue of shares	-	100,332	-	-	-	-	-	100,332
Exchange difference on translation of overseas operations and net loss not recognised in income statement	-	-	(1,085)	-	-	-	-	(1,085)
Transfer	-	-	-	-	-	1,350	(1,350)	-
Net profit for the year	-	-	-	-	-	-	209,074	209,074
At 31 December 2003	<u>77,910</u>	<u>135,092</u>	<u>(1,277)</u>	<u>4,881</u>	<u>1,101</u>	<u>4,310</u>	<u>358,037</u>	<u>580,054</u>

Consolidated Cash Flow Statement*For the year ended 31 December 2003*

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
OPERATING ACTIVITIES			
Profit before taxation		274,134	178,303
Adjustments for:			
Depreciation		21,553	19,125
Loss on disposal of property, plant and equipment		889	1,009
Loss on disposal of subsidiaries		788	–
Gain on partial disposal of a subsidiary		(541)	–
Amortisation of goodwill		790	790
Amortisation of intangible asset		373	–
Negative goodwill released to income		(428)	(119)
Interest income		(3,303)	(1,806)
Interest expenses		10,176	3,170
		<hr/>	<hr/>
Operating cash flows before movements in working capital		304,431	200,472
Increase in trade receivables		(90,237)	(25,922)
(Increase) decrease in inventories		(11,410)	3,161
Increase in other receivables, deposits and prepayments		(91,842)	(42,172)
Decrease (Increase) in amounts due from minority shareholders		30,030	(37,217)
(Decrease) increase in trade payables		(11,295)	66,987
Decrease in other payables and accruals		(2,856)	(106,727)
		<hr/>	<hr/>
Cash generated from operations		126,821	58,582
Income taxes paid		(1,171)	(1,228)
Interest paid		(10,695)	(1,623)
		<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES		114,955	55,731
INVESTING ACTIVITIES			
Interest received		3,222	2,545
Purchase of property, plant and equipment		(190,505)	(98,113)
Proceeds from sale of property, plant and equipment		5,283	1,851
Purchase of investments in securities		(5,144)	–
Redemption of PRC bonds		187	–
Purchase of intangible asset		(10,035)	–
Partial disposal of a subsidiary		1,852	–
Partial acquisition of a subsidiary		(994)	–
Disposal of subsidiaries	25	(3)	–
Acquisition of subsidiaries (net cash and cash equivalents acquired)	26	(15,173)	(33,322)
		<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES		(211,310)	(127,039)

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
FINANCING ACTIVITIES		
Proceeds from issue of shares	–	4,772
Proceeds from issue of convertible bonds	389,750	–
Bond issue expense	(14,833)	–
	<hr/>	<hr/>
Net proceeds from subscription monies	374,917	4,772
New bank loans raised	26,146	12,161
Repayment of bank and other loans	(32,251)	(1,496)
Dividends paid by a subsidiary to minority shareholder	(4,319)	(5,313)
(Repayment to) advance from minority shareholders	(20,103)	16,250
Contribution from minority shareholders	11,635	376
	<hr/>	<hr/>
CASH FROM FINANCING ACTIVITIES	356,025	26,750
	<hr/>	<hr/>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	259,670	(44,558)
	<hr/>	<hr/>
BANK BALANCES AND CASH AT BEGINNING OF YEAR	98,224	142,867
	<hr/>	<hr/>
EFFECT ON FOREIGN EXCHANGE RATES CHANGES	(1,085)	(85)
	<hr/>	<hr/>
BANK BALANCES AND CASH AT THE END OF YEAR	356,809	98,224
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements*For the ended 31 December 2003***1. GENERAL**

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

The principal activities of the Group are sale and distribution of Liquefied Petroleum Gas (“LP Gas”) and natural gas in the People’s Republic of China (“PRC”) including the sale of LP Gas in bulk and in cylinders, the provision of piped LP Gas and natural gas, construction of gas pipelines, and the sale of LP Gas and natural gas household appliances.

2. ADOPTION OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of leasehold land and buildings.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (collectively the “Group”).

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

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

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill arising on acquisitions is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a separate intangible asset.

On disposal of a subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

Negative goodwill

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

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

Investments in subsidiaries

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

Investments in joint ventures

A joint venture is treated as a subsidiary if the Group can control the composition of the board of directors.

Revenue recognition

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

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

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

Revenue recognition

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

Operating leases

Leases where substantially all the risks and rewards of ownership of the assets remain with the lessors are accounted for as operating leases.

Rentals payable in respect of operating leases are charged to income statement on a straight-line basis over the terms of the respective leases.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

Property, plant and equipment

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

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

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

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land	Over the unexpired term of the lease or over the term of the equity joint venture, whichever is shorter
Buildings	3% to 6%
Leasehold improvement	15%
Plant and equipment	6% to 10%
Furniture, fixtures and equipment	18% to 20%
Motor vehicles	6% to 18%
Gas pipelines	3%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Construction in progress

Construction in progress, which includes all development expenditure and other direct costs, including interest expenses attributable to such projects, is stated at cost. Costs on completed construction works are transferred to property, plant and equipment.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

Investments in securities

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

Investment in securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Exclusive operating right for city pipeline network

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Construction contracts

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

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

Convertible note

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

Taxation

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

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

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

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

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

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

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Retirement benefits scheme

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

4. BUSINESS AND GEOGRAPHICAL SEGMENTS**Business segments**

For management purposes, the Group has currently divided its operations into two business segments, namely sale and distribution of gas fuel and related products and gas pipeline construction. The principal activities of the business segments are as follows:

Sale and distribution of gas fuel and related products – Sale of LP Gas in bulk and in cylinders, provision of piped LP Gas and natural gas, and sale of LP Gas and natural gas household appliances

Gas pipeline construction – Construction of gas pipelines

An analysis of the Group's turnover and contribution to profit from operations for the year ended 31 December 2003 is as follows:

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas pipeline construction <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
31 December 2003			
REVENUE			
External	<u>1,137,872</u>	<u>319,760</u>	<u>1,457,632</u>
SEGMENT RESULTS	<u>67,201</u>	<u>224,866</u>	292,067
Other operating income			4,218
Unallocated corporate expenses			<u>(11,647)</u>
Profit from operations			284,638
Loss on disposal of subsidiaries			(788)
Gain on partial disposal of a subsidiary			541
Finance costs			<u>(10,257)</u>
Profit before taxation			274,134
Taxation			<u>(22,875)</u>
Profit before minority interests			251,259
Minority interests			<u>(42,185)</u>
Net profit for the year			<u>209,074</u>

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas pipeline construction <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
31 December 2002			
REVENUE			
External	<u>983,840</u>	<u>166,482</u>	<u>1,150,322</u>
SEGMENT RESULTS	<u>55,791</u>	<u>128,338</u>	184,129
Other operating income			2,752
Unallocated corporate expenses			<u>(5,362)</u>
Profit from operations			181,519
Finance costs			<u>(3,216)</u>
Profit before taxation			178,303
Taxation			<u>(8,545)</u>
Profit before minority interests			169,758
Minority interests			<u>(37,220)</u>
Net profit for the year			<u>132,538</u>

As over 90% of the assets of the Group are attributable to sale and distribution of gas fuel and related products, an analysis of segment assets and liabilities is not presented.

Geographical segments

The Group's operations are situated in the PRC and its revenue was derived principally from there. Accordingly no geographical segment information is presented.

5. OTHER OPERATING INCOME

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest on bank deposits	3,303	1,806
Negative goodwill released to income	428	119
Sundry income	<u>487</u>	<u>827</u>
	<u>4,218</u>	<u>2,752</u>

6. OTHER OPERATING EXPENSES

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Loss on disposal of property, plant and equipment	889	1,009
Sundries	245	809
	<u>1,134</u>	<u>1,818</u>

7. PROFIT FROM OPERATIONS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Auditors' remuneration	1,392	1,077
Staff costs		
Directors' fees	–	–
Directors' emoluments (<i>Note 9</i>)	3,580	3,238
Staff costs, excluding directors' emoluments	30,717	30,614
Retirement benefits scheme contributions, excluding directors' emoluments	3,751	4,508
	<u>38,048</u>	<u>38,360</u>
Amortisation of intangible asset (included in administrative expenses)	373	–
Amortisation of goodwill (included in administrative expenses)	790	790
Depreciation	21,553	19,125
Operating lease rentals in respect of property, plant and equipment	7,593	3,834
	<u>7,593</u>	<u>3,834</u>

8. FINANCE COSTS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest expenses on bank and other loans and convertible note and bonds wholly repayable within five years	10,176	3,170
Bank charges	81	46
	<u>10,257</u>	<u>3,216</u>

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Directors' emoluments:		
Fees:		
Executive directors	–	–
Non-executive directors	–	–
Independent non-executive directors	–	–
	<u>–</u>	<u>–</u>
Other emoluments (executive directors):		
Salaries and other benefits	3,189	2,897
Bonus	300	250
Retirement benefits scheme contributions	91	91
	<u>3,580</u>	<u>3,238</u>
Total emoluments	<u><u>3,580</u></u>	<u><u>3,238</u></u>

For the year ended 31 December 2003, salaries and other benefits paid to the four executive directors were HK\$1,739,000, HK\$707,000, HK\$505,000 and HK\$238,000 respectively; bonus paid to the four executive directors were HK\$300,000, nil, nil and nil respectively; and retirement benefits scheme contributions paid to the four executive directors were HK\$42,000, HK\$19,000, HK\$30,000 and nil respectively.

For the year ended 31 December 2002, salaries and other benefits paid to the three executive directors were HK\$1,715,000, HK\$704,000 and HK\$478,000 respectively; bonus paid to the three executive directors were HK\$200,000, HK\$30,000 and HK\$20,000 respectively; and retirement benefits scheme contributions paid to the three executive directors were HK\$42,000, HK\$30,000 and HK\$19,000 respectively.

Employees' emoluments:

Of the five highest paid individuals four (2002: three) are directors of the Company. The emoluments of the remaining one (2002: two) individual are as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Salaries and other benefits	<u>603</u>	<u>326</u>

The emoluments of the remaining highest paid individuals were within the following bands:

	Number of employees	
	2003	2002
Up to HK\$1,000,000	<u>1</u>	<u>2</u>

10. TAXATION

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

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

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

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Profit before taxation	<u>274,134</u>	<u>178,303</u>
Tax at the applicable tax rate of 33% (2002: 33%)	90,464	58,840
Tax effect of tax losses not recognised	5,371	2,086
Tax effect of expenses not deductible for tax purpose	7,391	5,517
Tax effect of income that is exempted from PRC enterprise income tax in determining taxable profit	(58,444)	(45,815)
Effect of different tax rates of subsidiaries entitled to 50% reduction in PRC enterprise income tax rates and operating in different provinces	<u>(21,907)</u>	<u>(12,083)</u>
Tax expense	<u>22,875</u>	<u>8,545</u>

At the balance sheet date, the Group has unused tax losses of HK\$44,704,000 (2002: HK\$28,430,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Out of the unrecognised tax losses, HK\$1,400,000 (2002: nil) has been expired. The remaining unrecognised tax losses of HK\$43,304,000 (2002: HK\$28,430,000) will expire within five years from the date of origination.

11. EARNINGS PER SHARE

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

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	209,074	132,538
Earnings for the purposes of basic earnings per share	209,074	132,538
Effect of dilutive potential ordinary shares:		
Interest on convertible note	–	3,000
Interest on convertible bonds	5,408	–
Earnings for the purposes of diluted earnings per share	<u>214,482</u>	<u>135,538</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	615,401,000	603,272,000
Effect of dilutive potential ordinary shares:		
Options	25,884,000	4,197,000
Convertible note	–	169,492,000
Convertible bonds	65,234,000	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>706,519,000</u>	<u>776,961,000</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Medium term leasehold land and buildings in the PRC HK\$'000	Leasehold improvements HK\$'000	Construction in progress HK\$'000	Plant and equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Gas pipelines HK\$'000	Total HK\$'000
THE GROUP								
COST OR VALUATION								
At 1 January 2003	75,607	18	12,238	147,309	5,036	26,084	157,011	423,303
Acquired on acquisition of subsidiaries	5,988	-	46,518	1,376	245	200	28,527	82,854
Disposed on disposal of subsidiaries	(1,130)	(18)	-	(925)	(24)	(242)	-	(2,339)
Additions	6,791	2,806	30,317	4,696	3,616	5,770	136,509	190,505
Disposals	-	-	(4,044)	(111)	(71)	(4,775)	(2)	(9,003)
Transfer	3,559	-	(30,977)	2,687	210	85	24,436	-
At 31 December 2003	<u>90,815</u>	<u>2,806</u>	<u>54,052</u>	<u>155,032</u>	<u>9,012</u>	<u>27,122</u>	<u>346,481</u>	<u>685,320</u>
Comprising:								
At cost	-	2,806	54,052	155,032	9,012	27,122	346,481	594,505
At valuation 31 December 2003	<u>90,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,815</u>
	<u>90,815</u>	<u>2,806</u>	<u>54,052</u>	<u>155,032</u>	<u>9,012</u>	<u>27,122</u>	<u>346,481</u>	<u>685,320</u>
DEPRECIATION								
At 1 January 2003	4,946	6	-	28,849	2,004	10,398	5,113	51,316
Disposed on disposal of subsidiaries	(131)	(5)	-	(274)	(20)	(76)	-	(506)
Provided for the year	2,502	21	-	8,093	923	3,224	6,790	21,553
Eliminated on disposal	-	-	-	(10)	(18)	(2,803)	-	(2,831)
At 31 December 2003	<u>7,317</u>	<u>22</u>	<u>-</u>	<u>36,658</u>	<u>2,889</u>	<u>10,743</u>	<u>11,903</u>	<u>69,532</u>
NET BOOK VALUES								
At 31 December 2003	<u>83,498</u>	<u>2,784</u>	<u>54,052</u>	<u>118,374</u>	<u>6,123</u>	<u>16,379</u>	<u>334,578</u>	<u>615,788</u>
At 31 December 2002	<u>70,661</u>	<u>12</u>	<u>12,238</u>	<u>118,460</u>	<u>3,032</u>	<u>15,686</u>	<u>151,898</u>	<u>371,987</u>

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

No professional valuation of the leasehold land and buildings was carried out at 31 December 2003 as, in the opinion of the directors, the carrying value of the leasehold land and buildings was not materially different from the open market value at 31 January 2001.

If the leasehold land and buildings had not been revalued they would have been included in these financial statements at historical cost less accumulated depreciation at HK\$78,160,000 (2002: HK\$66,322,000).

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

	Plant and equipment <i>HK\$'000</i>
THE COMPANY	
COST	
Additions during the year and at 31 December 2003	13
DEPRECIATION	
Provided for the year and at 31 December 2003	(3)
NET BOOK VALUE	
At 31 December 2003	<u>10</u>

13. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY 2003 & 2002 <i>HK\$'000</i>
Unlisted shares	<u>64,100</u>

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Particulars of the Company's subsidiaries at 31 December 2003 are set out in note 35.

14. INTANGIBLE ASSET

	THE GROUP Exclusive operating right for city pipeline network <i>HK\$'000</i>
COST	
Acquired during the year and at 31 December 2003	10,035
AMORTISATION	
Charge for the year and at 31 December 2003	(373)
NET BOOK VALUE	
At 31 December 2003	<u>9,662</u>

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

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

15. GOODWILL

	THE GROUP 2003 <i>HK\$'000</i>
COST	
At 1 January and 31 December 2003	15,801
AMORTISATION	
At 1 January 2003	1,057
Charge for the year	790
At 31 December 2003	1,847
NET BOOK VALUE	
At 31 December 2003	<u>13,954</u>
At 31 December 2002	<u>14,744</u>
The amortisation period adopted for goodwill is 20 years.	

16. NEGATIVE GOODWILL

	THE GROUP 2003 <i>HK\$'000</i>
GROSS AMOUNT	
At 1 January 2003	9,485
Arising on acquisition during the year	6,954
Arising on acquisition of additional interest in a subsidiary	2,130
At 31 December 2003	18,569
RELEASED TO INCOME	
At 1 January 2003	119
Released during the year	428
At 31 December 2003	547
CARRYING AMOUNT	
At 31 December 2003	<u>18,022</u>
At 31 December 2002	<u>9,366</u>

The negative goodwill in 2002 arose on the Group's acquisition of Weiyuan Panva Gas Co., Ltd.. At the date of acquisition, HK\$9,485,000 of negative goodwill was identified.

The negative goodwill in 2003 arose from the Group's acquisition of Lezhi Panva Gas Co., Ltd. and Pingchang Panva Gas Co., Ltd.. At the date of acquisition, HK\$1,195,000 and HK\$5,759,000 of negative goodwill was identified.

The negative goodwill in 2003 arose on the acquisition of an additional interest in Chenzhou Pan River Gas Industry Co., Ltd..

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

17. INVESTMENTS IN SECURITIES

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares in the PRC, at cost	7,906	752
PRC bonds, at cost	—	187
	<u>7,906</u>	<u>939</u>

18. INVENTORIES

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
COST		
Finished goods	23,442	11,512
Consumables	12,932	11,474
	<u>36,374</u>	<u>22,986</u>

19. TRADE RECEIVABLES

The Group has a policy of allowing an average credit period ranging from 0 to 90 days to its customers.

The following is an aged analysis of trade receivables at the reporting date:

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	132,853	84,343
91 to 180 days	46,872	4,373
181 to 360 days	2,430	1,607
Over 360 days	1,704	3,063
	<u>183,859</u>	<u>93,386</u>

20. AMOUNTS DUE FROM/TO MINORITY SHAREHOLDERS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Current:		
Amounts due from minority shareholders	11,246	41,276
Amounts due to minority shareholders	<u>3,414</u>	<u>23,517</u>

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

21. TRADE PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	THE GROUP	
	2003	2002
0 to 90 days	72,702	80,940
91 to 180 days	1,133	115
181 to 360 days	763	64
Over 360 days	4,464	8,222
	<u>79,062</u>	<u>89,341</u>

22. BORROWINGS

	THE GROUP		THE COMPANY	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Bank loans (secured)	32,863	2,438	–	–
Bank loans (unsecured)	5,239	12,161	–	–
Other loans (unsecured)	972	–	–	–
Convertible note	–	100,000	–	100,000
Convertible bonds	372,016	–	372,016	–
	<u>411,090</u>	<u>114,599</u>	<u>372,016</u>	<u>100,000</u>

The maturity of the above loans is as follows:

On demand or within one year	32,526	14,599	–	–
More than one year but not exceeding two years	3,929	100,000	–	–
More than two years but not exceeding five years	374,635	–	372,016	100,000
	411,090	114,599	372,016	100,000
Less: Amount due within one year shown under current liabilities	<u>(32,526)</u>	<u>(14,599)</u>	–	–
Non-current portion	<u>378,564</u>	<u>100,000</u>	<u>372,016</u>	<u>100,000</u>

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

The convertible note was fully converted to shares of the Company. Please refer to Note 23 for details.

The convertible bonds were issued on 23 April 2003. The bonds are convertible into shares of the Company on or after 7 June 2003 and up to 9 April 2008. The conversion price at which each share shall be issued upon conversion shall be HK\$3.804 per share (adjusted to account for the effect of issue of the additional new shares). The outstanding unconverted principal amount of the bonds will be redeemed on 23 April 2008 at 108.119%. Interest of 2% is payable per annum.

23. SHARE CAPITAL

	Number of shares		Share capital	
	2003	2002	2003 HK\$'000	2002 HK\$'000
Authorised:				
Shares of HK\$0.1 each				
Balance as at 1 January and as at 31 December	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:				
Balance as at 1 January	605,076,000	500,000,000	60,508	50,000
Share options exercised	–	5,043,000	–	505
Bonus issue	–	100,033,000	–	10,003
Issued on conversion of convertible note	169,491,525	–	16,949	–
Issued on conversion of convertible bonds	<u>4,530,366</u>	<u>–</u>	<u>453</u>	<u>–</u>
Balance as at 31 December	<u>779,097,891</u>	<u>605,076,000</u>	<u>77,910</u>	<u>60,508</u>

On 26 April 2002, the Company issued 100,033,000 shares of HK\$0.1 each in the Company as a bonus issue of shares on the basis of one new share of HK\$0.1 each for every five existing shares held by the shareholders of the Company by the way of capitalising of the sum of HK\$10,003,300 standing to the credit of the share premium account of the Company.

During 2002, the subscription rights attached to 165,000 shares and 4,878,000 share options were exercised at the subscription prices of HK\$1.13 and HK\$0.94 per share respectively resulting in the issue of 5,043,000 shares of HK\$0.1 each in the Company for a total cash consideration, before expenses, of HK\$4,772,000.

On 5 December 2003, the Company issued 169,491,525 shares of HK\$0.1 each in the Company upon conversion of HK\$100,000,000 convertible note by the noteholder at a conversion price of HK\$0.59.

During the year, 4,530,366 shares of HK\$0.1 each in the Company were issued for a total consideration of HK\$17,744,000 to the convertible bondholders at the conversion price of HK\$3.9169.

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

24. RESERVES

	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	General reserves <i>HK\$'000</i>	Asset revaluation reserves <i>HK\$'000</i>	Retained profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP							
At 1 January 2002	55,329	(107)	1,101	1,212	4,973	18,640	81,148
Exchange difference on translation of overseas operations and net loss not recognised in income statement	-	(85)	-	-	-	-	(85)
Premium arising on issue of shares	4,267	-	-	-	-	-	4,267
Bonus issue	(10,003)	-	-	-	-	-	(10,003)
Transfer	-	-	-	865	-	(865)	-
Net profit for the year	-	-	-	-	-	132,538	132,538
At 1 January 2003	49,593	(192)	1,101	2,077	4,973	150,313	207,865
Addition during the year	-	-	-	883	-	-	883
Exchange difference on translation of overseas operations and net loss not recognised in income statement	-	(1,085)	-	-	-	-	(1,085)
Premium arising on issue of shares	100,332	-	-	-	-	-	100,332
Expenses incurred in connection with the issue of convertible bonds	(14,833)	-	-	-	-	-	(14,833)
Disposal of subsidiaries	-	-	-	-	(92)	-	(92)
Transfer	-	-	-	1,350	-	(1,350)	-
Net profit for the year	-	-	-	-	-	209,074	209,074
At 31 December 2003	<u>135,092</u>	<u>(1,277)</u>	<u>1,101</u>	<u>4,310</u>	<u>4,881</u>	<u>358,037</u>	<u>502,144</u>

	Share premium <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY			
At 1 January 2002	55,329	(4,416)	50,913
Premium arising on issue of shares	4,267	–	4,267
Bonus issue	(10,003)	–	(10,003)
Net loss for the year	<u>–</u>	<u>(9,627)</u>	<u>(9,627)</u>
At 1 January 2003	49,593	(14,043)	35,550
Premium arising on issue of shares	100,332	–	100,332
Expenses incurred in connection with the issue of convertible bonds	(14,833)	–	(14,833)
Net loss for the year	<u>–</u>	<u>(14,305)</u>	<u>(14,305)</u>
At 31 December 2003	<u><u>135,092</u></u>	<u><u>(28,348)</u></u>	<u><u>106,744</u></u>

General reserves represent Enterprise Expansion Fund and General Reserve Fund set aside by certain subsidiaries in accordance with the relevant laws and regulations of the PRC. They are not available for distribution.

Capital reserve represents the contribution from the minority shareholders of the subsidiaries waived.

The Company's reserves available for distribution represent the share premium and retained profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends can be distributed out of the share premium, net of accumulated losses of the Company, of HK\$106,744,000 (2002: HK\$35,550,000).

25. DISPOSAL OF SUBSIDIARIES

In December 2003, the Group disposed of two subsidiaries, Nanling Pan River LPG Co., Ltd. (“Nanling Pan River”) and Wuhu Pan River Jiangbei Enterprises Co., Ltd. (“Jiangbei Pan River”). The net assets of Nanling Pan River and Jiangbei Pan River at the date of disposal and at 31 December 2003 were as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets disposed of:		
Property, plant and equipment	1,833	–
Inventories	114	–
Trade receivables	52	–
Bank balances and cash	3	–
Other receivables, deposits and prepayments	94	–
Trade payables	(1,061)	–
Other payables and accruals	(16)	–
Minority interests	(139)	–
Asset revaluation reserves	(92)	–
	<hr/>	<hr/>
	788	–
Loss on disposal	(788)	–
	<hr/>	<hr/>
Total consideration	–	–
	<hr/>	<hr/>
Net cash outflow arising on disposal:		
Bank balances and cash disposed of	3	–
	<hr/> <hr/>	<hr/> <hr/>

26. ACQUISITION OF SUBSIDIARIES

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

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

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

27. MAJOR NON-CASH TRANSACTION

On 5 December 2003, the Company issued 169,492,000 shares of HK\$0.1 each in the Company upon exercise of HK\$100,000,000 convertible note held by Supreme All Investments Limited (“Supreme All”), a wholly-owned subsidiary of Sinolink Worldwide Holdings Limited (“Sinolink”). The new shares rank pari passu with the existing shares in all aspects.

28. RELATED PARTY TRANSACTIONS

During the year, the following related party transactions took place:

Name of related party	Nature of transactions	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Sinolink (<i>Note a</i>)	Licence fee expense (<i>Note d</i>)	374	374
Shenzhen Sinolink Enterprises Co., Limited (<i>Note b</i>)	Rental expense (<i>Note d</i>)	380	370
Supreme All (<i>Note c</i>)	Convertible note interest (<i>Note e</i>)	<u>2,811</u>	<u>3,000</u>

Notes:

- (a) Mr. Ou Yaping, a director and shareholder of the Company, has direct beneficial interest in this company.
- (b) It is a fellow subsidiary of the Company, of which Mr. Ou Yaping is a director.
- (c) It is a wholly-owned subsidiary of Sinolink.
- (d) Licence fee expense and rental expense were determined by the directors based on the directors' estimates of fair market value.
- (e) Interest of 3% is payable per annum.

29. CONTINGENT LIABILITIES

The Group and the Company had no contingent liabilities as at 31 December 2003.

30. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments in respect of property, plant and equipment under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2003	2002	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	4,088	4,558	–	170
In the second to fifth years inclusive	12,602	9,602	–	–
Over five years	18,719	20,724	–	–
	<u>35,409</u>	<u>34,884</u>	<u>–</u>	<u>170</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for terms up to 30 years.

31. CAPITAL COMMITMENTS

	THE GROUP	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Commitments for the interest in subsidiaries		
– contracted for but not provided in the financial statements	<u>186,361</u>	<u>87,618</u>

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

32. SHARE OPTIONS

The Company's Pre-Listing Share Option Scheme (the "Pre-Listing Options") and share option scheme (the "Scheme") were adopted pursuant to resolutions passed on 4 April 2001 for providing incentives to directors and eligible employees which, unless otherwise cancelled or amended, will expire on 3 April 2011. Under the Pre-Listing Option Scheme and the Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company, and any of its subsidiaries, to subscribe for shares in the Company.

Movements of the share options during the year were as follows:

	Outstanding at beginning of year		Exercised during the year	Granted during the year	Lapsed during the year	Outstanding at end of year
	Before adjustment	After adjustment				
	For the year ended 31 December 2003	<u>37,144,000</u>				
For the year ended 31 December 2002	<u>36,550,000</u>	<u>43,620,000</u>	<u>5,076,000</u>	<u>-</u>	<u>1,400,000</u>	<u>37,144,000</u>

When the share options are exercised and new shares are issued, the share capital is increased by the nominal value of the new shares issued and the share premium account is increased by the remainder of the proceeds. No charge is recognised in the income statement in respect of the value of share options granted. Had all the outstanding share options been fully exercised on 31 December 2003, the Company would have received HK\$19,979,000 in proceeds. Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK\$
Pre-Listing Options	04.04.2001	01.01.2003 – 03.04.2011	0.475
	04.04.2001	01.01.2004 – 03.04.2011	0.475
2001	13.11.2001	13.02.2002 – 13.02.2007	0.940
	13.11.2001	13.05.2002 – 13.02.2007	0.940
	13.11.2001	13.11.2002 – 13.02.2007	0.940

The number of share options outstanding at the beginning of 2002 and the exercise prices have been adjusted to reflect the effect of the bonus share dividend issued during 2002. The market values of the shares on the dates of exercise of the share options were HK\$1.66, HK\$2.10 and HK\$4.05 respectively.

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

33. RETIREMENT BENEFITS SCHEME

The Group companies operating in the PRC participate in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. The Company is required to make specific contributions to the retirement schemes at a rate of 12 to 25 percent of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made. Pursuant to these arrangements, the retirement plan contributions paid for the year ended 31 December 2003 amounted to approximately HK\$3,740,000 (2002: HK\$4,407,000).

The Group has joined a MPF Scheme for all its non-PRC employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme.

The retirement benefits scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

During the year, the Group made retirement benefits scheme contributions amounting to HK\$102,000 (2002: HK\$192,000).

34. POST BALANCE SHEET EVENTS

- (a) In January 2004, the Company issued 155,200,000 new shares of HK\$0.1 each in the Company at the subscription price of HK\$4 per share to Kenson.
- (b) In January 2004, the Company signed the formal agreement with the Municipal Government of the municipality of Yuechi, Sichuan Province of the PRC for the acquisition of a 90% interest in Yuechi Natural Gas Company at a consideration of HK\$34,612,000.

35. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2003 are as follows:

Name of company	Place of incorporation/ establishment and operation	Issued and paid up share capital/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
<i>Directly-owned subsidiary</i>				
China Pan River Group Ltd.	BVI – Limited liability company	12,821 shares of US\$1	100%	Investment holding
<i>Indirectly-owned subsidiaries</i>				
Chenzhou Pan River Gas Industry Co., Ltd. 郴州百江燃氣實業有限公司	PRC – Sino-foreign equity joint venture	RMB9,000,000	60%	Wholesaling and retailing of LP Gas
China Overlink Holdings Co., Limited	BVI – Limited liability company	1 share of US\$1	100%	Investment holding
Chizhou Panva Gas Co., Ltd. 池州百江燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB20,000,000	60%	The provision of LP Gas and related services and gas pipeline construction
Chuzhou YPC & Panva Energy Co., Ltd. 滁州揚子百江能源有限公司	PRC – Sino-foreign equity joint venture	RMB1,000,000	30% (Note 1)	Wholesaling and retailing of LP Gas
Lezhi Panva Gas Co., Ltd. 樂至百江燃氣有限公司	PRC – Limited liability company	RMB14,800,000	100%	The provision of natural gas and related services and gas pipeline construction
Jinan Panva Gas Co., Ltd. 濟南百江燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB100,000,000	51%	The provision of LP Gas, natural gas and related services and gas pipeline construction
Nanjing Panva LPG Company Ltd. 南京百江液化氣有限公司	PRC – Sino-foreign equity joint venture	RMB50,000,000	55%	Wholesaling and retailing of LP Gas
Nanjing Panva Pipeline Gas Co., Ltd. 南京百江管道燃氣有限公司	PRC – Sino-foreign equity joint venture	US\$1,010,000	77.95%	The provision of LP Gas and related services and gas pipeline construction

Name of company	Place of incorporation/ establishment and operation	Issued and paid up share capital/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
Pingchang Panva Gas Co., Ltd. 平昌百江燃氣有限公司	PRC – Limited liability company	RMB8,000,000	90%	The provision of natural gas and related services and gas pipeline construction
Panriver Investments Company Limited 百江投資有限公司	PRC – Limited liability company	US\$30,000,000	100%	Investment holding
Panva Gas (Yunnan) Co., Ltd. 雲南百江燃氣有限公司	PRC – Limited liability company	RMB58,840,000	28.53% (Note 2)	Wholesaling and retailing of LP Gas
Pan River Enterprises (Changde) Co., Ltd. 常德百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB6,000,000	85%	Wholesaling and retailing of LP Gas
Pan River Enterprises (Changsha) Co., Ltd. 長沙百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB40,000,000	60%	Wholesaling and retailing of LP Gas
Pan River Enterprises (Hengyang) Co., Ltd. 衡陽百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB6,000,000	84%	Wholesaling and retailing of LP Gas
Pan River Enterprises (Wuhu) Co., Ltd. 蕪湖百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB32,000,000	55%	Wholesaling and retailing of LP Gas
Pan River Gas (China Southwest) Co., Ltd. ("Panva Southwest") 百江西南燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB16,000,000	50.10%	Wholesaling and retailing of LP Gas
Pengxi Panva Gas Co., Ltd. 蓬溪百江燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB3,590,000	90%	The provision of natural gas and related services and gas pipeline construction
Singkong Investments Limited 盛港投資有限公司	Hong Kong – Limited liability company	10,000 ordinary shares of HK\$1 each	100%	Investment holding
Sinolink LPG Investment Limited	BVI – Limited liability company	1 share of US\$1	100%	Investment holding

Name of company	Place of incorporation/ establishment and operation	Issued and paid up share capital/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
Sinolink Power Investment Limited	BVI – Limited liability company	1 share of US\$1	100%	Investment holding
Weiyuan Panva Gas Co., Ltd. 威遠百江燃氣有限公司	PRC – Limited liability company	RMB5,000,000	99.5%	The provision of natural gas and related services and gas pipeline construction
Xiangtan Pan River Energy Industry Co., Ltd. 湘潭百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB10,000,000	55%	Wholesaling and retailing of LP Gas
Yiyang Pan River Enterprises Co., Ltd. 益陽百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB5,000,000	60%	Wholesaling and retailing of LP Gas
Yongzhou Pan River Enterprises Co., Ltd. 永州百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB5,000,000	60%	Wholesaling and retailing of LP Gas
Yangzi Petrochemical Baijiang Energy Resources Co., Ltd. ("Yangzi Panva") 揚子石化百江能源有限公司	PRC – Sino-foreign equity joint venture	US\$7,230,000	50% (Note 3)	Wholesaling and retailing of LP Gas
Yangzhou YPC & Panva Gas Co., Ltd. ("Yangzhou YPC") 揚州揚子石化百江燃氣有限公司	PRC – Limited liability company	RMB10,000,000	27.5% (Note 4)	Wholesaling and retailing of LP Gas
Ziyang Panva Gas Co., Ltd. 資陽百江燃氣有限公司	PRC – Limited liability company	RMB9,890,000	90%	The provision of natural gas and related services and gas pipeline construction
Zunyi Pan River Gas Co., Ltd. 遵義百江燃氣有限公司	PRC – Limited liability company	RMB4,200,000	50.10%	Wholesaling and retailing of LP Gas

Notes:

1. Yangzi Panva holds a 60% equity interest.
2. Panva Southwest holds a 56.94% equity interest.
3. Yangzi Panva is a subsidiary of the Group because the Group has control over the board of directors.
4. Yangzi Panva holds a 55% equity interest.

None of the subsidiaries had issued any debt securities as at the end of the year.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement contained herein misleading.

2. DISCLOSURE OF DIRECTORS' INTEREST

As at the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Appendix 10 of the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules, were as follows:

(a) Long positions in Shares and underlying Shares

Name of Directors	Capacity	Interests in Shares		Total interest in Shares	Interest in underlying shares pursuant to share options	Aggregate interest	Approximate percentage of the Company's issued share capital
		Family interest	Corporate interest				
Chen Wei	Beneficial owner	-	-	-	12,000,000	12,000,000	0.51%
Law Sze Lai	Beneficial owner	-	-	-	8,000,000	8,000,000	0.34%
Ou Yaping	Family interest and interest of controlled corporation	6,475,920	1,374,222,000 (Note 1)	1,380,697,920	-	1,380,697,920	58.82%
Tang Yui Man Francis	Beneficial owner	-	-	-	19,000,000	19,000,000	0.81%
Davin A. Mackenzie	Beneficial owner	-	-	-	2,000,000	2,000,000	0.09%
Xin Luo Lin	Beneficial owner	-	-	-	2,000,000	2,000,000	0.09%

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

(b) Directors' interests or short positions in shares and underlying shares of associated corporations

Name of Directors	Name of associated corporations	Capacity	Nature of interest	Total interest in shares long positions/ (short positions)	Interest in underlying shares pursuant to share options	Aggregate interest/ (short positions)	Approximate percentage of the issued share capital of associated corporations
Chen Wei	Panva Gas	Beneficial owner	Personal	4,160,000	8,040,000	12,200,000	1.29%
Law Sze Lai	Enerchina	Beneficial owner	Personal	540,000	–	540,000	0.02%
Davin A. Mackenzie	Enerchina	Beneficial owner	Personal	–	2,288,000	2,288,000	0.10%
Ou Yaping	Panva Gas	Interest of controlled corporation and beneficial owner	Corporate/ Personal	556,871,587 (Note 1) (19,230,769) (Note 2)	3,600,000 –	560,471,587 (19,230,769)	59.48% (2.04%)
	Enerchina	Interest of controlled corporation and beneficial owner	Corporate/ Personal	1,156,979,755 (Note 3)	2,288,000	1,159,267,755	50.60%
Tang Yui Man Francis	Panva Gas	Beneficial owner	Personal	5,440,000	3,960,000	9,400,000	1.00%
	Enerchina	Beneficial owner	Personal	–	22,880,000	22,880,000	1.00%
Xin Luo Lin	Enerchina	Beneficial owner	Personal	–	2,288,000	2,288,000	0.10%

Notes:

- The 556,871,587 shares represent the aggregate of: (i) 381,298,462 shares held by Kenson. 58.55% interests of the Company are held by Asia Pacific. Mr. Ou Yaping is the sole beneficial owner of Asia Pacific. Mr. Ou Yaping is deemed under the SFO to be interested in these shares; (ii) 6,081,600 shares held by Asia Pacific directly. The entire issued share capital of Asia Pacific are legally and beneficially held by Mr. Ou Yaping; and (iii) 169,491,525 shares held by Supreme All. 100% interests of Supreme All are held by the Company, Mr. Ou Yaping is deemed under the SFO to be interested in these Shares. Subject to fulfillment of the conditions precedent and upon completion of the Sale and Purchase Agreement, Kenson and Supreme All will become wholly-owned subsidiaries of Enerchina.
- Kenson is under an obligation to transfer 19,230,769 shares to Hutchison International Limited (“Hutchison International”) upon full exchange of the Kenson Note held by Hutchison International in accordance with the terms and conditions of the Kenson Note.

- 3 The 1,156,979,755 shares in Enerchina represent the aggregate of: (i) the 852,989,402 shares held by the Company (Mr. Ou Yaping through his wholly-owned company, Asia Pacific, holds approximately 58.55% of the existing issued share capital of the Company and is therefore deemed to be interested in all the shares in which the Company is interested); and (ii) the 303,990,353 shares held by Smart Orient. 100% interests of Smart Orient are held by the Company. Mr Ou is deemed under the SFO to be interested in these shares.

(c) **Directors' right to acquire Shares**

(i) *Interest in options to subscribe for Shares*

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

Name of Director	Date of grant	Exercise period	Exercise price HK\$	Number of Shares subject to outstanding options as at Latest Practicable Date	Approximate percentage of the Company's issued share capital
Chen Wei	28.12.2004	31.12.2005 – 24.05.2012	1.126	3,600,000	0.15%
	28.12.2004	30.06.2006 – 24.05.2012	1.126	3,600,000	0.15%
	28.12.2004	31.12.2006 – 24.05.2012	1.126	4,800,000	0.21%
Law Sze Lai	28.12.2004	31.12.2005 – 24.05.2012	1.126	2,400,000	0.10%
	28.12.2004	30.06.2006 – 24.05.2012	1.126	2,400,000	0.10%
	28.12.2004	31.12.2006 – 24.05.2012	1.126	3,200,000	0.14%
Davin A. Mackenzie	28.12.2004	31.12.2005 – 24.05.2012	1.126	600,000	0.03%
	28.12.2004	30.06.2006 – 24.05.2012	1.126	600,000	0.03%
	28.12.2004	31.12.2006 – 24.05.2012	1.126	800,000	0.03%
Tang Yui Man Francis	28.12.2004	31.12.2005 – 24.05.2012	1.126	5,700,000	0.24%
	28.12.2004	30.06.2006 – 24.05.2012	1.126	5,700,000	0.24%
	28.12.2004	31.12.2006 – 24.05.2012	1.126	7,600,000	0.32%
Xin Luo Lin	28.12.2004	31.12.2005 – 24.05.2012	1.126	600,000	0.03%
	28.12.2004	30.06.2006 – 24.05.2012	1.126	600,000	0.03%
	28.12.2004	31.12.2006 – 24.05.2012	1.126	800,000	0.03%

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. These options represent personal interests held by the Directors as beneficial owners.

(ii) *Interest in options to subscribe for shares of associated corporations*

Name of Directors	Name of associated corporations	Date of grant	Exercise period	Exercise price HK\$	Number of share options held	Approximate percentage of the issued share capital of the associated corporation
Chen Wei	Panva Gas	04.04.2001	01.01.2003 – 03.04.2011	0.475	1,800,000	0.19%
		04.04.2001	01.01.2004 – 03.04.2011	0.475	1,800,000	0.19%
		13.11.2001	13.11.2002 – 13.02.2007	0.940	1,440,000	0.15%
		19.11.2004	31.12.2005 – 30.03.2011	3.500	900,000	0.10%
		19.11.2004	31.12.2006 – 30.03.2011	3.500	900,000	0.10%
		19.11.2004	31.12.2007 – 30.03.2011	3.500	1,200,000	0.13%
Davin A. Mackenzie	Enerchina	20.10.2004	20.10.2005 – 19.10.2015	0.500	2,288,000	0.10%
Ou Yaping	Panva Gas	04.04.2001	01.01.2003 – 03.04.2011	0.475	1,800,000	0.19%
		04.04.2001	01.01.2004 – 03.04.2011	0.475	1,800,000	0.19%
	Enerchina	09.06.2004	09.06.2004 – 08.06.2014	0.440	2,288,000	0.10%
Tang Yui Man Francis	Panva Gas	13.11.2001	13.11.2002 – 13.02.2007	0.940	960,000	0.10%
		19.11.2004	31.12.2005 – 30.03.2011	3.500	900,000	0.10%
		19.11.2004	31.12.2006 – 30.03.2011	3.500	900,000	0.10%
		19.11.2004	31.12.2007 – 30.03.2011	3.500	1,200,000	0.13%
	Enerchina	09.06.2004	09.06.2004 – 08.06.2014	0.440	22,880,000	1.00%
Xin Luo Lin	Enerchina	09.06.2004	09.06.2004 – 08.06.2014	0.440	2,288,000	0.10%

- Notes:*
1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
 2. These options represent personal interests held by the Directors as beneficial owners.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register required to be kept by the Company pursuant to

section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to Appendix 10 of the Model Code for Securities Transactions by Directors of Listed Companies.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons or corporations (not being Directors or chief executive of the Company), had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital, were as follows:

(i) Long positions and short positions in Shares and underlying Shares

Name of Shareholders	Capacity	Interest in Shares	Approximate percentage of the Company's issued share capital
Asia Pacific	Beneficial owner	1,374,222,000 (Note 1)	58.55%
Value Partners Limited	Investment manager	120,000,000 (Note 2)	5.11%
Cheah Cheng Hye	Interest of controlled corporation	120,000,000 (Note 2)	5.11%
Pope Asset Management, LLC	Investment manager	116,958,800	4.98%

Notes:

- These shares and underlying shares are held by Asia Pacific, a company incorporated in the British Virgin Islands, which is legally and beneficially owned by Mr. Ou Yaping, the chairman of the Company.
- These 120,000,000 shares are held by Value Partners Limited, a company which is held by 31.82% by Mr. Cheah Cheng Hye. Accordingly, Mr. Cheah Cheng Hye is deemed to be interested in these shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into a service contract with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2004, being the date up to which the latest published audited accounts of the Group were made up.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company and its subsidiaries within two years preceding the date of this circular and which are or may be material:-

- (a) the subscription agreement dated 26 September 2003 entered into between the Company and Enerchina in respect of the issue of 45,400,000 new shares of Enerchina by Enerchina to the Company at the subscription price of HK\$0.60 per share of Enerchina;
- (b) the underwriting agreement dated 27 October 2003 entered into between Enerchina and Smart Orient in respect of the rights issue undertaken by Enerchina in accordance with the terms of the prospectus of Enerchina dated 5 December 2003;
- (c) the placing agreement dated 4 December 2003 entered into between Kenson, Panva Gas, Morgan Stanley and Merrill Lynch Far East Limited in respect of the placing of 155,200,000 existing Panva Gas shares at the placing price of HK\$4.00 per Panva Gas share. On the same date, Kenson and Panva Gas entered into a subscription agreement of the subscription of the same number of new Panva Gas shares by Kenson at the placing price;

- (d) the underwriting agreement dated 17 February 2004 entered into between Enerchina and Smart Orient in relation to the open offer of two new shares of Enerchina for every existing share of Enerchina held by the shareholders of Enerchina whose names appear on the register of members of Enerchina on 29 March 2004 and whose addresses are in Hong Kong;
- (e) the sale and purchase agreement dated 27 August 2004 entered into between Panriver Investments Limited, a wholly owned subsidiary of Panva Gas, Changchun Municipality State-owned Assets Administrative Bureau and Shenzhen Hua Fu Investment Co., Ltd. in respect of the acquisition of 48% equity interest in Changchun Gas Holdings Limited by Panriver Investments;
- (f) the conditional purchase agreement dated 16 September 2004 entered into between Panva Gas, Merrill Lynch International and Morgan Stanley & Co. International Limited in respect of the purchase of the US\$200 million aggregate principal amount of 8.25% guaranteed senior notes due 2011 issued by Panva Gas;
- (g) the disposal agreement dated 16 November 2004 entered into between Kenson and funds under management by Value Partners Limited in respect of the disposal of 48,000,000 existing Panva Gas shares by Kenson at the price of HK\$3.25 per Panva Gas share;
- (h) the equity transfer agreement dated 16 December 2004 (the “Agreement”) entered into between Xin Hua Control Engineering Co., Ltd. (“Xin Hua Control”), New China Control Systems Limited (“New China”), and an independent third party (the “Buyer”) whereby Enerchina shall sell and the Buyer shall purchase the entire interest of Enerchina in New China and, amongst others, Enerchina shall also cancel all its existing shareholder’s loan due from New China, for a cash consideration of US\$23,500,000 (the “Disposal”). Completion of the Disposal by the Buyer is subject to the fulfilment of certain conditions including but not limited to all required consents, authorisations or approvals from all other third parties that are necessary for the closing of the transaction contemplated under the Agreement shall have been received and the Buyer shall have completed its business, accounting, tax and legal due diligence analysis and review of Xin Hua Control, and are reasonably satisfied with respect to the business, properties, operations, nature of assets, liabilities, and financial condition of Xin Hua Control. Similarly, completion of the Disposal by Enerchina is subject to the fulfilment of certain conditions including but not limited to the performance in all material respects of all the obligations of the Buyer under the Agreement that are required to be performed by it at or prior to closing;
- (i) the asset transfer agreement dated 23 December 2004 entered into between Panriver Investments Limited, Anshan City Public Utilities Management Bureau and Shanghai Jian Shi Hai Jia Investment Co., Ltd. in respect of the acquisition of 51% equity interest in An Shan City Gas Company for a total consideration of RMB70,490,000 by Panriver Investments Limited; and
- (j) the Sale and Purchase Agreement.

8. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group is engaged in any litigation or arbitration proceedings of material importance and there is no litigation or claims of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2004, being the date of the latest published audited financial statements of the Company.

10. PROCEDURE TO DEMAND A POLL

Pursuant to Bye-law 66 of the existing Bye-laws, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (a) by the chairman; or
- (b) by at least three members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (c) by a member or members present in person (or in the case of a member being a corporation by its duly authorised representative) or by proxy and holding shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorised representative shall be deemed to be the same as a demand by the member.

11. GENERAL

- (a) The secretary of the Company is Mr. Lo Tai On, member of the Hong Kong Institute of Certified Public Accountants.
- (b) The qualified accountant of the Company is Ms. Tiong Check Hiong, Jacqueline, Certified Public Accountant.
- (c) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The head office and principal place of business of the Company is situated at 28th Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong.

- (d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited situated at Shops 1712-1716, 17th Floor, Hopewell centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the office of Messrs. Woo, Kwan, Lee & Lo at 27th Floor, Jardine House, 1 Connaught Place, Hong Kong from 17 May 2005 to 30 May 2005 (both days inclusive):–

- (a) the memorandum of association and Bye-laws of the Company;
- (b) the Sale and Purchase Agreement;
- (c) the material contracts referred to in the section headed “Material Contracts” in paragraph 7 of this Appendix;
- (d) the audited accounts of the Group for each of the three financial years ended 31 December 2004; and
- (e) the accountants' report from Deloitte Touche Tohmatsu on Kenson dated 17 May 2005, the extract of which is set out in Appendix II to this circular;
- (f) the accountants' report from Deloitte Touche Tohmatsu on Supreme All dated 17 May 2005, the extract of which is set out in Appendix III to this circular;
- (g) the auditors' report from Deloitte Touche Tohmatsu on the financial information relating to the Panva Gas Group for each of the three financial years ended 31 December 2004, an extract of which is set out in Appendix IV to this circular;
- (h) the accounts of Panva Gas for the three months ended 31 March 2005, an extract of which is set out in Appendix IV to this circular;
- (i) all the circulars issued by the Company pursuant to the requirements set out in Chapters 14 and/or Chapter 14A of the Listing Rules which have been issued since the date of the latest published audited accounts.