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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)

Major Transaction

**Investment in Rockefeller Group Asia Pacific, Inc. to fund
Shanghai Bund de Rockefeller Group**

A letter from the Board is set out on pages 5 to 27 of this circular.

** For identification purpose only*

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Affiliates”	in relation to a person, means any other person that directly or indirectly owns a controlling interest in, or exercises control over, such person, or in or over which such person directly or indirectly owns a controlling interest or exercises control, or that is otherwise directly or indirectly under common ownership or control with such person
“Asia Pacific Promotion”	Asia Pacific Promotion Limited, a private company wholly-owned by Mr. Ou Yaping, the Chairman and a director of Sinolink
“Business Day”	a day on which commercial banks are generally open in Hong Kong, New York and Shanghai for general banking business
“Board”	the board of directors of the Company
“BVI”	the British Virgin Islands
“CJV Contract”	the agreement establishing the CJV entered into between NHP and SRL on 30 November 2005
“CJV Laws”	Laws of the People’s Republic of China on Sino-Foreign Cooperative Joint Ventures and the rules and regulations promulgated thereunder, as the same shall be in effect at the relevant time
“CJV”	a Sino-foreign cooperative joint venture to be established under the laws of the PRC pursuant to the CJV Contract and expected to be called “Shanghai Bund de Rockefeller Group Master Development Co., Limited” and whose equity share capital upon establishment will be owned approximately 91% by SRL and approximately 9% by NHP
“Closing Date”	the date on which closing of the Investment took place, being 2 December 2005
“Company” or “Sinolink”	Sinolink Worldwide Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 1168)
“Company Shareholders”	shareholders of the Company

DEFINITIONS

“Deemed Advanced”	the amounts which are deemed under the Investment Agreement to be advanced by RSI in respect of the Series A Shares, being US\$15 million (approximately HK\$116 million) or, if the Option has been exercised, US\$11 million (approximately HK\$85 million), which amount is based on the fees payable to, and pre-development expenses of, RSI
“Directors”	the directors of the Company
“Enerchina”	Enerchina Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 622). 74.79% of the shares in Enerchina are directly or indirectly owned by the Company
“Fiscal Year”	the fiscal year of RGAP and its subsidiary commencing on 1 January and ending on 31 December
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Investment”	the investment by Sinolink Shanghai on and subject to the terms of the Investment Agreement
“Investment Agreement”	the agreement dated 30 November 2005 and entered into among Rockefeller Group, RSI, RGAP, Sinolink and Sinolink Shanghai, as more particularly described in this circular
“Investment Amount”	US\$169 million (approximately HK\$1,310 million)
“Land Grant Contract”	the land use right grant contract entered into on 30 November 2005 between SRL and NHP (on behalf of the CJV) and Huangpu District Housing and Land Resources Administrative Bureau, as more particularly described in the circular
“Latest Practicable Date”	21 December, 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“NHP”	Shanghai New Huangpu (Group) Co. Ltd., a limited liability company established in June 1994 and registered under the laws of the PRC

DEFINITIONS

“Option Agreement”	the agreement in respect of the Option entered into on the Closing Date between RGAP, Sinolink Shanghai and Rockefeller Group, as more particularly described in this circular
“Option”	the option for RSI to acquire up to 245 Series C Shares on and subject to the terms of the Option Agreement
“PRC”	the People’s Republic of China
“Project Completion Date”	the date on which the Project shall have been completed pursuant to the Development Guidelines (as defined in the Investment Agreement)
“Project” or “Shanghai Bund de Rockefeller Group” or “Waitanyuan Project”	the development of the piece of land known as Lot Number 174 of the Huangpu District of the Shanghai Municipality, PRC, as more particularly described in this circular
“Relocation Contract”	the entrustment contract entered into among SRL and NHP (on behalf of the CJV) and NHP, as more particularly described in the circular
“RGAP”	Rockefeller Group Asia Pacific, Inc., an international business company incorporated in the BVI on 5 November 2004, wholly-owned by RSI prior to the Closing Date and now owned as to 510 Series A Shares by RSI and 490 Series B Shares by Sinolink Shanghai
“Rockefeller Group”	Rockefeller Group International, Inc., a New York corporation incorporated in November 1997 and wholly-owned by Rockefeller Group, Inc., the holding company of the group of companies collectively known as “The Rockefeller Group”
“RSI”	Rock-Shanghai, Inc., a New York corporation incorporated on 3 August 2004 and a wholly-owned subsidiary of Rockefeller Group
“Series A Shares”	the common shares in RGAP carrying the rights set out in the Memorandum and Articles of Association of RGAP and issued to RSI on the terms of the Investment Agreement
“Series B Shares”	the common shares in RGAP carrying the rights set out in the Memorandum and Articles of Association of RGAP and issued to Sinolink Shanghai on the terms of the Investment Agreement

DEFINITIONS

“Series C Shares”	the common shares in RGAP carrying the rights set out in the Memorandum and Articles of Association of RGAP and to be issued to RSI or its Affiliate on the terms of the Option Agreement and the Investment Agreement
“Shares”	ordinary shares of HK\$0.10 each in the share capital of Sinolink
“Sinolink Shanghai”	Sinolink Shanghai Investments Limited, an international business company incorporated in the BVI
“Sinolink Shareholder”	Shareholders of the Company
“Sinolink”	the Company
“SRL”	Rockefeller Group WTY-I Development SRL, an international society with restricted liability formed under the laws of Barbados
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America

Note: the figures in US\$ are converted into HK\$ at the rate of US\$1 = HK\$7.75 throughout this circular for indicative purposes only.



百仕達控股有限公司*

SINOLINK WORLDWIDE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code:1168)

Board of Directors:

Executive Directors

OU Yaping (*Chairman*)

TANG Yui Man Francis (*Chief Executive Officer*)

CHEN Wei

LAW Sze Lai

Independent Non-executive Directors

TIAN Jin

XIN Luo Lin

Davin A. MACKENZIE

Registered office:

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2 Church Street

Hamilton HM 11

Bermuda

Principal Place of Business:

28th Floor, Vicwood Plaza

199 Des Voeux Road Central

Hong Kong

22 December 2005

Dear Shareholder(s),

Major Transaction

**Investment in Rockefeller Group Asia Pacific, Inc. to fund
Shanghai Bund de Rockefeller Group**

INTRODUCTION

On 30 November 2005, the Company announced that it had entered into the Investment Agreement with the Rockefeller Group. The Investment Agreement contains the terms upon which Sinolink will participate alongside the Rockefeller Group in a project to redevelop parts of the historic Waitanyuan district in Shanghai. The project will be known as the “Shanghai Bund de Rockefeller Group”.

The Investment constitutes a major transaction for Sinolink under the Listing Rules and was accordingly subject to approval of the Company Shareholders. Pursuant to Rule 14.44(2) of the Listing Rules, a written approval for the Investment and the Option (including subsequent exercise) was obtained from Asia Pacific Promotion which, as at the date of this circular, holds 1,374,222,000 Shares in Sinolink representing approximately 52.15% in nominal value of its issued share capital giving the right to attend and vote at a special general meeting to approve the Investment. No general meeting of the Sinolink Shareholders will need to be convened as all the conditions set out in Rule 14.44 of

LETTER FROM THE BOARD

the Listing Rules have been met by Sinolink. As no Sinolink Shareholder has a material interest in the transaction, no Sinolink Shareholder is required to abstain from voting if Sinolink were to convene a special general meeting for the approval of the Investment or the Option (including subsequent exercise).

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

I. INVESTMENT AGREEMENT

Date

30 November 2005

Parties

- (1) Sinolink
- (2) Sinolink Shanghai
- (3) Rockefeller Group
- (4) RSI
- (5) RGAP

The Investment Agreement contains the terms upon which Sinolink will participate alongside the Rockefeller Group in a project to redevelop parts of the historic Waitanyuan district in Shanghai. The project will be known as the “Shanghai Bund de Rockefeller Group”.

Sinolink’s Investment is being made by way of (i) subscription for shares in RGAP; and (ii) the provision of related shareholder loans to RGAP up to an amount equal to the Investment Amount.

The sole asset of RGAP is its 100% equity interest in SRL, whose sole asset is its approximately 91% equity interest in CJV, a Sino-foreign co-operative joint venture to be established under the laws of the PRC under an agreement between NHP and SRL also dated 30 November 2005. The CJV will renovate and develop the Waitanyuan-1 Area in the Huangpu District of Shanghai.

The Investment Agreement contains terms agreed between, amongst others, Sinolink and Rockefeller Group regarding the appointment of directors and management of RGAP, shareholder voting rights and rights to distributions, the provision of additional funding for the Project and other related matters.

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Subscription for shares in RGAP

Under the Investment Agreement, Sinolink Shanghai (a wholly-owned subsidiary of Sinolink) and RSI (a wholly-owned subsidiary of Rockefeller Group) agreed to the creation of three new classes of shares in RGAP, namely the Series A Shares, Series B Shares and Series C Shares. On the Closing Date, the sole existing share in RGAP was cancelled by RGAP, Sinolink Shanghai subscribed for 490 Series B Shares in RGAP and RSI subscribed for 510 Series A Shares in RGAP.

At the same time that the new Series A Shares and Series B Shares were issued, Rockefeller Group was granted the Option, which entitles it or its Affiliate to subscribe for Series C Shares as further described under the paragraph headed “Option Agreement” below. RGAP was a newly established entity which had at no point since its incorporation until the Closing Date engaged in any business or trading. It had no significant assets or liabilities and had not incurred any expenditure or earned any revenue.

Sinolink Shanghai holds Series B Shares. RSI holds Series A Shares and, on exercise of the Option, RSI or its Affiliate will hold Series C Shares. Series B Shares and Series C Shares carry substantially the same voting rights and rights to distributions. The rights attached to Series A Shares differ from the rights of Series B Shares and Series C Shares as further described below.

Shareholder voting rights

Series A Shares entitle RSI to appoint 4 directors and Series B Shares entitle Sinolink Shanghai to appoint 3 directors, each director having one vote at a board meeting of RGAP. The quorum for a meeting of the board of RGAP is 3 directors, provided that at least 1 Series A director and 1 Series B director is present. Series C Shares do not give RSI or its Affiliate any further rights to appoint additional directors.

With regard to voting at shareholder level, Series B Shares and, provided that there has been a Substantial Option Exercise (as defined below), Series C Shares, carry full voting rights. Series A Shares allow the holder to vote at shareholder level in respect of certain prescribed matters paramount to RSI in connection with the Project, including the termination of RGAP, SRL or the CJV, entering into agreements outside the ordinary course of business and any amendments to the constitutional documents of RGAP which would adversely affect the rights or obligations of the Series A Shares. On these matters, the holder of Series A Shares effectively has a right of veto.

If there has not been a Substantial Option Exercise, the Series C Shares carry the same voting rights as Series A Shares. A “Substantial Option Exercise” is an exercise of the Option which results in the subscription by RSI (or its Affiliate) of at least 147 Series C Shares (representing 14.7% of the issued share capital of the Company by nominal value).

Assuming the Option is exercised in full, Sinolink Shanghai and RSI (or its Affiliate) shall each hold 50% of the voting rights of RGAP exercisable at a general meeting (except in respect of one of the matters on which the holder of Series B Shares is entitled to vote).

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Shareholder rights to distributions

The Investment Agreement requires the parties to procure that directors appointed by them adopt a distributions policy for RGAP in respect of distributable cash of RGAP. Distributable cash means the surplus of RGAP available under the laws of the British Virgin Islands for distribution to shareholders after repayment of the outstanding shareholder loans. The Series A Shares entitle RSI to a special dividend totalling US\$6 million (approximately HK\$46.5 million). This special dividend is payable on a cumulative preference basis out of the distributable cash of RGAP remaining in each Fiscal Year (after payment of interest to Sinolink Shanghai on the shareholder loans) until the US\$6 million is paid in full.

If the Option is exercised, RSI (or its Affiliate) shall be entitled to an annual cumulative preference dividend in respect of the Series C Shares amounting to 20% of the total amount advanced by RSI (or its Affiliate) in connection with the Option divided by 1.2. Any remainder of the distributable cash will be shared among the holders of Series A Shares, Series B Shares and Series C Shares in proportion to funding advanced (or Deemed Advanced) by each of them, whether by equity subscription or shareholder loans up to the Investment Amount.

Shareholder rights on return of capital

On a return of capital, the holders of the Series A Shares, Series B Shares and Series C Shares shall each be entitled to share in any surplus assets of RGAP being returned to shareholders in proportion to funding advanced (or Deemed Advanced) by each of them, whether by equity subscription or shareholder loans up to the Investment Amount.

Completion

The Closing Date of the Investment Agreement was 2 December 2005.

On the Closing Date, Sinolink Shanghai and RSI subscribed for 490 Series B Shares and 510 Series A Shares respectively at par value.

On and from the Closing Date, Sinolink became contractually liable under the Investment Agreement to advance by way of shareholder loans (as further detailed below) such amounts as become payable under the Land Grant Contract or the Relocation Contract no later than five Business Days prior to the due date of such payment.

The obligations of Sinolink and Sinolink Shanghai under the Investment Agreement were conditional upon fulfilment or waiver of certain conditions precedent on or before the Closing Date, including approval by the Company Shareholders as may be required under the Listing Rules. Pursuant to Rule 14.44(2) of the Listing Rules, a written approval for the Investment and the Option (including subsequent exercise) was obtained from Asia Pacific Promotion before the Closing Date. Accordingly, closing of the Investment took place on the Closing Date and the Investment Agreement is now unconditional.

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Consideration and further funding

As consideration for its Series B Shares, Sinolink Shanghai paid an amount equal to the par value of 490 Series B Shares (US\$1 per Series B Share, being a total of US\$490 or approximately HK\$3,798). In addition, Sinolink Shanghai agreed to make available for RGAP's benefit, as and when required, shareholder loans of up to US\$169 million (approximately HK\$1,310 million). The monies advanced by way of these shareholder loans will be used by RGAP to fund payments under the Land Grant Contract and the Relocation Contract which are further described under the heading "The Land Grant Contract and the Relocation Contract" below. Sinolink Shanghai will finance the shareholder loans from external borrowings on normal commercial terms.

As consideration for its Series A Shares, RSI paid an amount equal to the par value of 510 Series A Shares (US\$1 per Series A Share, being a total of US\$510 or approximately HK\$3,953).

Shareholder loans advanced by Sinolink Shanghai will entitle it to simple interest at a rate of 20% per annum on the total Investment Amount commencing on the Closing Date ("Shareholder Loan Accrued Interest"), payable in arrears on a date determined by the board of RGAP as soon as practicable after the end of each Fiscal Year. However, to the extent that RGAP does not have distributable cash available to make such payments, Shareholder Loan Accrued Interest will accrue on a cumulative basis and will be payable in future years when distributable cash is available. Assuming the Option has not been exercised and that distributable cash is available, Sinolink Shanghai will be entitled to an annual interest payment of US\$33.8 million (approximately HK\$262 million). If the Option is exercised in full, each of Sinolink Shanghai and RSI (or its Affiliate) will be entitled to an annual interest payment (in the case of Sinolink Shanghai) or a cumulative preference dividend (in the case of RSI) of US\$16.9 million (approximately HK\$131 million).

The shareholder loans will constitute an advance to an entity by Sinolink requiring disclosure under Rule 13.13 of the Listing Rules, since they will in aggregate exceed 8% of the relevant percentage ratios. As RGAP will be an affiliated company of Sinolink, the shareholder loans will also constitute financial assistance requiring disclosure under Rule 13.16 of the Listing Rules. The amount of the advance, the nature of the transactions giving rise to the amount, the identity of RGAP, the interest rate and the source of funding are set out elsewhere in this circular. The shareholder loans will be unsecured and will be repayable on demand.

Under the terms of the Investment Agreement, the Project will be and remain a "Rockefeller Group" development. Through ownership of the Series A Shares, RSI retains control over various aspects of the Project including approval of development guidelines and marketing plans, selection of architects and amending the Project plan. RGAP will pay RSI a fee to be agreed following preparation of an annual budget, which fee is anticipated to be approximately US\$1 million (approximately HK\$7.8 million) per annum. The fee reflects the parties' assessment of the commercial benefit to RGAP of this facilitation and the costs incurred in respect thereof. Additionally, Sinolink or its nominee will be appointed by RGAP or its Affiliates to assist with certain project management functions under a management agreement which will provide that RGAP will pay the project manager an annual fee at a rate of 2% of the Investment Amount per annum. This annual fee is based on the parties' assessment of the normal commercial rates for such arrangements.

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As soon as practicable following the end of each Fiscal Year, RGAP shall distribute 100% of its distributable cash to shareholders in accordance with the distributions policy discussed under the paragraph headed “Shareholder rights to distributions” above.

RSI (or its Affiliate) and Sinolink Shanghai shall provide further funding to meet Project costs on an as-needed basis as set out in the Investment Agreement. Total expected pre-construction costs of the Project are US\$169 million (approximately HK\$1,310 million). If the pre-construction costs of the Project exceed this amount, the Investment Agreement requires further funding of any excess pre-construction costs to be provided by Sinolink Shanghai unless the Option has been exercised. If the Option has been exercised, further funding would be provided by Sinolink Shanghai and RSI (or its Affiliate) in proportion to their respective holdings of Series B Shares and Series C Shares in issue following exercise of the Option (taking no account of the Series A Shares).

The Investment Agreement requires additional funding for construction costs of the Project to be procured by Sinolink Shanghai and RSI (or its Affiliate) in proportion to their respective holdings of Series B Shares and Series C Shares, unless mutually agreed otherwise. The Company and Rockefeller Group have agreed that, to the extent commercially practicable, all such additional funding for construction costs will be procured from third party lenders and shall be non-recourse. The construction costs of the Project are not as yet fully determined. Sinolink will comply with appropriate shareholder approval and/or disclosure requirements in accordance with the Listing Rules as and when any further funding in excess of the US\$169 million is required.

The consideration and the amount and terms of the shareholder loans have been arrived at after arm’s length negotiations between Sinolink and Rockefeller Group. The Investment Amount of US\$169 million is based on the estimated total amount payable by the CJV or its direct shareholders under the Land Grant Contract and the Relocation Contract, and the deemed contributions of RSI under the Investment Agreement reflect certain pre-construction costs and expenses incurred by the Rockefeller Group prior to the signing of the Investment Agreement. A rate of 20% interest payable on shareholder loans made available to RGAP by Sinolink Shanghai up to the Investment Amount is considered by the parties to be a fair commercial return to Sinolink on its investment, taking into account the risks involved including the particular pre-construction, construction, development and other risks of the Project.

Guarantee

Sinolink has agreed to guarantee the obligations of Sinolink Shanghai under the Investment Agreement, including its obligation to advance the shareholder loans.

Option Agreement

On the Closing Date, RSI (or its Affiliate) was granted an option to subscribe for Series C Shares on the terms of the Option Agreement. This Option is exercisable for one year following the date on which the land comprised in the Waitanyuan-1 Area is delivered under the Land Grant Contract. There is no fixed date for the delivery of the land, which will depend on the progress of the Project. The Option enables RSI or its Affiliate to subscribe for up to 245 Series C Shares (representing 24.5% of the issued share capital of RGAP in nominal value following exercise). Upon exercise of the Option

LETTER FROM THE BOARD

(i) Sinolink Shanghai is required to redeem such number of Series B Shares as is equal to the number of Series C Shares subscribed for by RSI or its Affiliate under the Option; and (ii) RGAP is required to repay a portion of the shareholder loans advanced by Sinolink Shanghai. The portion of shareholder loans to be repaid is calculated in proportion to the number of Series B Shares redeemed.

The exercise price of the Option is 120% of that portion of shareholder loans repaid by RGAP in connection with redemption of Series B Shares and is on-paid to Sinolink Shanghai. If the Option is exercised in full, the exercise price payable by Rockefeller Group or its Affiliate to RGAP will be US\$101.4 million (approximately HK\$786 million). Such amount will be on-paid by RGAP to Sinolink Shanghai, by way of repayment of such amount of the shareholder loans representing principal in the amount of US\$84.5 million (approximately HK\$655 million).

Accordingly, if the Option is exercised in full, the respective shareholdings of Sinolink Shanghai and the Rockefeller Group entities in the issued share capital of RGAP (by nominal value) will be 24.5% and 75.5%.

On exercise of the Option, Sinolink will make an announcement in accordance with Rule 14.74 of the Listing Rules. Following exercise of the Option, RGAP will continue to be treated as an associate and not as a subsidiary of Sinolink.

II. GENERAL NATURE OF THE TRANSACTION

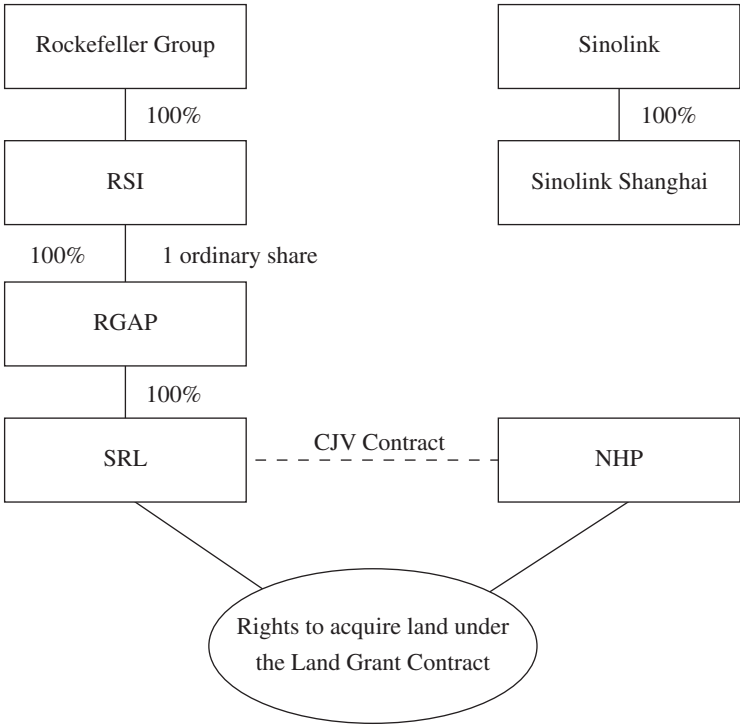
Summary

The Investment is an integral part of the latest developments in the international collaboration on the Waitanyuan Project. On 30 November 2005, the formation of Shanghai Bund de Rockefeller Group Master Development Co., Ltd. (in preparation), a joint venture entity established by the Rockefeller Group and NHP was announced. This symbolises the official launch of the development work for Phase 1 of the Waitanyuan Project pursuant to a framework agreement for cooperation on 7 May 2004 and the CJV Contract signed by SRL and NHP.

LETTER FROM THE BOARD

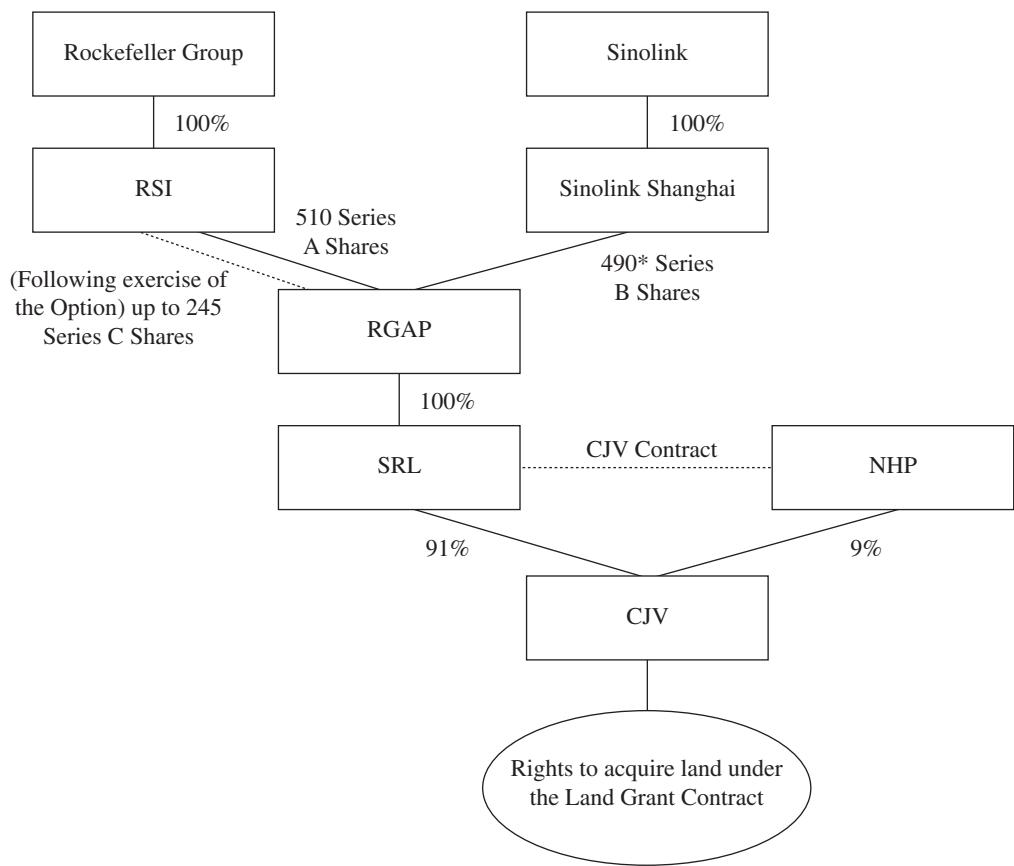
Structure of the transaction

Transaction Structure: before the Closing Date



LETTER FROM THE BOARD

Transaction Structure: after the Closing Date



* Following exercise of the Option by RSI, up to 245 Series B Shares may be required to be redeemed.

Information on the Project

The Waitanyuan Project area is to be redeveloped into a mixed use precinct containing residential, commercial, hotel, shopping and entertainment facilities along with other public amenities. The Project’s goal is to create Shanghai’s premier living and lifestyle area. The Shanghai Bund de Rockefeller Group is conceived as being among the world’s most exclusive and desirable places to live, shop, visit and be seen.

Waitanyuan is located at the confluence of Suzhou Creek and Huangpu River. It faces Huangpu River on the east, stretches to Sichuan Road on the west, leans on Suzhou Creek on the north and faces Dianchi Road on the south.

This area is the core area of the heritage and cultural landscape on the Bund and the birthplace of the Bund’s “Exhibition of the World’s Architecture”. This area was also the origin of modern Shanghai and has nurtured the city’s finance and trading industries.

The Project site is within an area which is bordered by Yuanmingyuan Road, East Beijing Road, South Suzhou Road, and Huqiu Road, occupying a site area of approximately 16,880 sq.m. It houses

LETTER FROM THE BOARD

7 famous historical buildings, along with a group of historical buildings of various architectural styles constructed in the 1920's and 1930's. The gross floor area is approximately 94,000 sq. m. and it is intended that the Project will include construction and development of commercial, financial and cultural facilities, serviced apartments, office buildings, public squares and other public facilities.

NHP, as the pre-development entity, is currently undertaking site demolition, relocation and infrastructure improvement work. The site is owned by the State. The land use rights of the site have been withdrawn by the State. Buildings (including the historic buildings referred to above) not already owned by the State are to be transferred to the State for subsequent transfer to the CJV as contemplated under the Land Transfer Contract. Redevelopment of the Project site will comprise both low- and mid-rise buildings in a combination of rehabilitation/replacement and new construction.

The Waitanyuan Project is expected to be completed by the end of 2009.

The Land Grant Contract and the Relocation Contract

Simultaneously with the signing of the Investment Agreement, SRL and NHP jointly (on behalf of the CJV) entered into the Land Grant Contract with the relevant housing and land resources administrative authority of the Shanghai Municipality providing for the grant of land use rights and sale of certain existing buildings to the CJV in respect of the Project. NHP, as the pre-development entity, and NHP and SRL jointly (on behalf of the CJV) also entered into an entrustment contract on demolition and relocation work and provision of certain utilities (the Relocation Contract) pursuant to which NHP will provide or improve infrastructure necessary for development of the Project and relocate businesses and residents out of the Waitanyuan area.

SRL and NHP, as the immediate shareholders of the CJV, entered into the Land Grant Contract and the Relocation Contract on behalf of the CJV pending completion by the CJV of its formation in accordance with the CJV Laws. It is intended that the Land Grant Contract and the Relocation Contract will be assigned to the CJV following completion of its formation and land use rights, titles and other certificates relating to the Project will in due course be issued in the name of the CJV.

A property valuation report on the land subject to the Land Grant Contract is set out in Appendix III.

Under the Land Grant Contract, the Huangpu District Housing and Land Administrative Bureau agrees it will grant to SRL and NHP jointly (on behalf of the CJV) land use rights for Lot 174, Huangpu District, Shanghai. The property has a site area of 16,882 square metres. The land grant fee payable under the Land Grant Contract is RMB411,099,494.40 (or approximately HK\$395 million) payable in instalments by 29 January 2006. The term of the land grant allows 40 years for commercial use, 50 years for office use and 70 years for residential use. Further details of the Land Grant Contract are set down in the property valuation report.

Under the Relocation Contract, NHP agrees to demolish buildings on the property according to zoning approval, level up the land and compensate the residents and companies in the site scope. NHP is required to finish all demolition, removal and resettlement in two stages before 30 September 2006

LETTER FROM THE BOARD

and 31 December 2006. The relocation cost payable under the Relocation Contract is RMB959,232,153.60 (or approximately HK\$921 million) payable in stages within 270 days after the Relocation Contract becomes effective. Further details of the Relocation Contract are set down in the property valuation report.

It is intended that the CJV will use the shareholder loans made available by Sinolink Shanghai (being US\$169 million or approximately HK\$1,310 million) to meet the payments under the Land Grant Contract and Relocation Contract described above (which total approximately RMB1,370 million or approximately HK\$1,316 million).

The CJV

NHP and SRL entered into an agreement on 30 November 2005 providing for the establishment of the CJV as a Sino-foreign cooperative joint venture company pursuant to the CJV Laws, in order to acquire and develop the land under the Project. NHP holds approximately 9% of the share capital of the CJV and SRL holds the remainder (approximately 91%). Under the terms of the CJV Contract, NHP has certain rights and obligations customary for a PRC entity in such a joint venture under the CJV Law. The CJV Contract also provides that NHP and SRL will assign the rights and obligations jointly held by them (on behalf of the CJV) under the Land Grant Contract and the Relocation Contract to the CJV upon its legal establishment following receipt of a valid business licence from the relevant governmental authority.

RGAP and SRL

RGAP is a limited liability international business company incorporated in the BVI on 5 November 2004 and wholly-owned and controlled by RSI until the Closing Date. RGAP was a newly established entity. RGAP had at no point since its incorporation until the Closing Date engaged in any business or trading. It had no significant assets or liabilities (other than disclosed in this paragraph), and had not incurred any expenditure or earned any revenue. Following the Closing Date, RGAP's existing issued share capital was cancelled and 490 Series B Shares were issued to Sinolink Shanghai and 510 Series A Shares were issued to RSI.

The sole asset of RGAP is its 100% equity interest in SRL, which is an international society with restricted liability formed under the laws of Barbados on 17 February 2004. Following the Closing Date, RGAP is not being treated as a subsidiary of Sinolink and its financial statements are not being consolidated with those of Sinolink. Sinolink will account for RGAP in its financial statements as an associate of Sinolink using the equity accounting method. Following exercise of the Option, RGAP will continue to be treated as an associate and not as a subsidiary of Sinolink.

No audited financial statements have been prepared for either RGAP or SRL. The management accounts for both RGAP and SRL disclose no operating activity by either of them during the relevant periods.

LETTER FROM THE BOARD

A summary of financial information relating to RGAP and SRL (extracted from the management accounts for periods ended 30 June 2005) is as follows:

RGAP financial information	<i>US\$</i>
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Assets

Investment in SRL	<u>1,000</u>
Total assets	<u><u>1,000</u></u>

Equity

Common stock, 1 share at US\$1 par value	1
Additional paid in capital	<u>999</u>
Total equity	<u><u>1,000</u></u>

Profit/Loss

Revenue	—
Expenses	<u>—</u>
Net profit/loss	<u><u>—</u></u>

SRL financial information	<i>US\$</i>
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Assets

Cash	<u>1,000</u>
Total assets	<u><u>1,000</u></u>

Equity

Additional paid in capital	<u>1,000</u>
Total equity	<u><u>1,000</u></u>

Profit/Loss

Revenue	—
Expenses	<u>—</u>
Net profit/loss	<u><u>—</u></u>

The Investment Agreement also includes warranties given by the Rockefeller Group to the effect that each of RGAP and SRL, as at the Closing Date: (a) had not engaged in any business or trading activities whatsoever (except being engaged in the business of a holding company); and (b) owned no material assets of any description (except, in the case of RGAP, 100% of the equity interest in SRL and except, in the case of SRL, 90.96% of the equity interest in the Project Company upon establishment as a CJV). For these reasons, the Company has not prepared audited financial statements for RGAP or SRL. The Company considers such information would not assist Shareholders' to assess the Transaction.

III. REASONS FOR AND BENEFITS OF THE INVESTMENT

Waitanyuan Project is a major development project for the Shanghai municipality, and also a pioneer project for the combined development on the banks of Huangpu River. Rockefeller Group is fully aware of the importance of Phase 1 development and has indicated that it will comply with the “Presenting the Original Appearance and Reshaping Functions” principle laid down by the Shanghai municipal government throughout the entire Phase 1 development.

The Rockefeller Group, an internationally renowned developer of prestigious properties, has engaged Sinolink as its local partner in order to leverage off Sinolink’s experience in real estate investment and development in the PRC. Mr. Jonathan Green, the Chief Executive Officer of Rockefeller Group, stated that this arrangement should allow the parties to fully capitalize on their respective experiences and strengths to enhance the progress of the Project.

The terms of the Investment Agreement represent an attractive opportunity for Sinolink to invest in the development of prime real estate in a prestigious area of Shanghai, with potential for significant returns to Sinolink. The Directors of Sinolink believe that, by contributing its expertise in property development in mainland China, Sinolink can work together with Rockefeller Group in order to assist it to complete the Project and to maximise returns for the parties involved.

The Directors of the Company believe the terms of the transaction are fair and reasonable and in the interests of the Shareholders as a whole.

IV. FINANCIAL EFFECTS OF THE INVESTMENT

After the completion of the Investment Agreement, RGAP will become an associate of the Group. The Group will account for its operating results using the equity method of accounting from the date of its investment. Since RGAP was effectively a newly established special-purpose entity and had no significant assets or liabilities, and had not incurred any expenditure or earned any revenue, there will not be any material impact on the earnings of the Group immediately following the Investment. Any future earnings from RGAP after the Investment will be accounted for by the Group in accordance with the terms and conditions as set out in the Investment Agreement. As Sinolink Shanghai makes shareholder loans available for RGAP’s benefit up to the Investment Amount, the Group’s cash at bank will be reduced accordingly. However, in the Group’s accounts, the amount of investment in associate will increase by the same amount.

V. GENERAL

Information on Sinolink

Sinolink, a company listed on the Main Board of the Stock Exchange, and its subsidiaries are principally engaged in property development, the generation and supply of electricity in the PRC, the sale and distribution of liquefied petroleum gas and natural gas and the construction of gas pipelines in the PRC.

LETTER FROM THE BOARD

Information on Rockefeller Group

Rockefeller Group is a member of The Rockefeller Group. The Rockefeller Group is an internationally renowned owner and developer of prestigious properties with a more than 70 year history of achievement in commercial real estate beginning with the creation of Rockefeller Center, which set the standard for urban mixed use complexes in the United States and remains a model for urban development in New York City. Rockefeller Group, Inc. is the holding company of The Rockefeller Group and is a corporation concentrated in real estate, real estate services and voice and data communications, headquartered in New York City. The Rockefeller Group consists of five principal subsidiaries: Rockefeller Group Development Corporation, Cushman & Wakefield Inc., Rockefeller Group Technology Solutions, Inc., and Rockefeller Group Business Centers, Inc. and Commonwealth Partners, Ltd. Rockefeller Group, Inc. is wholly owned by Mitsubishi Estate Co. Ltd., a world leader in real estate development, ownership, and management.

Information on NHP

NHP was established in June 1994 with a registered capital of RMB500 million. It is currently owned by China HuaWen Investment Corporation (“China HuaWen”) as its controlling shareholder and invested by Shanghai Huang Pu People’s Government.

NHP is mainly engaged in property development and operation, being the flagship corporation of China HuaWen in the property development industry. NHP is one of the earliest brands of real estate developers in Shanghai and is classified as having “Grade I Real Estate Development Qualification”. It has participated in nearly 20 large and medium housing projects located in the heart of Shanghai, covering a total area of 2,000,000 square metres. At present, it holds and operates premium properties with a total area of 200,000 square metres situated in Shanghai’s prime locations.

NHP also operates the Shanghai Hi-Tech King World, hotels and apartments, and private schools that provide nine years’ education and related properties. As at the end of 2004, the group employed 318 staff and its total assets and net assets value were RMB6.58 billion and RMB1.93 billion, respectively.

Listing Rules requirements

The Investment constitutes a major transaction for Sinolink under the Listing Rules and will accordingly be subject to the approval of the Sinolink Shareholders. Pursuant to Rule 14.44(2) of the Listing Rules, a written approval for the Investment and the Option (including subsequent exercise) was obtained from Asia Pacific Promotion which, as at the date of this circular, holds 1,374,222,000 Shares in Sinolink representing approximately 52.15% in nominal value of its issued share capital giving the right to attend and vote at a special general meeting to approve the Investment. No general meeting of the Sinolink Shareholders will need to be convened as all the conditions set out in Rule 14.44 of the Listing Rules were met by Sinolink. As no Sinolink Shareholder has a material interest in the transaction, no Sinolink Shareholder is required to abstain from voting if Sinolink were to convene a special general meeting for the approval of the Investment or the Option (including subsequent exercise).

LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors of the Company having made all reasonable enquiries, the counterparties to the Investment Agreement (being Rockefeller Group, RSI and RGAP) and their respective ultimate beneficial owners are third parties independent of the Company and are not connected persons (as defined under the Listing Rules) of the Company.

VI. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group will continue to focus on its core business of property development and investments in energy and utility businesses. Information about the Group's financial and trading prospects generally is set down in this section.

Property Development Business

With the Group's real estate developments located in the city of Shenzhen in the PRC, the operating results in the property development business continued to benefit from the fast-growing economy of this special economic zone. Property prices in Shenzhen continued to rise at a steady rate despite the fact that the PRC government had taken several measures to adjust its economy, which include raising the mortgage interest rate and also raised the ceiling for deposit for mortgages to 30%. The annual supply of land in Shenzhen is controlled at a level of 12,000,000 square metres with only 800,000 square metres being residential land, representing around 6% of the total annual supply. With the scarce supply of land in prime locations, the Group believes that property prices in Shenzhen will continue to rise steadily.

In addition, the closer economic ties between Shenzhen and Hong Kong and the continued rise on household income and their affordability ratio locally, all contributed to the acceleration of foreign and local investors to invest in Shenzhen properties. In addition, the continued influx of hot money from overseas investing in fixed assets on speculation to benefit from the expected further revaluation of RMB also trigger them to invest in the PRC property markets especially through investing in prime locations and high quality properties. *The Mangrove West Coast* since its presale had attracted about 50% foreign investors to buy our properties. To seize these opportunities, the Group is actively seeking to expand in the property development business by exploring any new potential projects in Shenzhen and also actively seeking opportunities to branch its property development business into other regions in the PRC capable of generating good returns and value to our shareholders.

Electricity Generation Business

Looking ahead, the Group sees the power sector in the PRC as a challenge. Despite the fact that the demand for electricity in the Guangdong Province as well as the PRC would continue to be strong, the future heavy oil price is still a major determinant of the Group's power sector profitability. Therefore, the Group has already prepared to convert the fuel consumption of the power plant from heavy oil to natural gas, a significantly cheaper and cleaner source of fuel. In addition, a significant expansion plan has been put in place to increase the power generation capacity from the Group's existing total installed capacity of 665,000 kilowatts to 1,450,000 kilowatts.

LETTER FROM THE BOARD

The Group will continue to explore opportunities to expand into the coal gasification business and the clean energy sector of the PRC. With the extensive gas distribution network of Panva Gas in the PRC, the management strongly believes it will provide synergies and logistic support for the development of Enerchina's possible future coal gasification business in the PRC.

Gas Fuel Business

With the PRC's rising need for energy infrastructure development and the PRC Government's strong efforts to transform state-owned gas enterprises, more opportunities are emerging on the horizon for the Panva Gas Group's expansion of city gas businesses. The Panva Gas Group is accelerating new project development in the PRC. Several projects will be concluded soon, which will further increase the Group's economies-of-scale and competitive advantages.

Moreover, the Panva Gas Group is discussing LP Gas projects in several large and medium sized cities in order to further strengthen its leading position in the LP Gas market in the PRC. The Group is hopeful that some of these provincial city gas projects will be concluded in the second half of the year.

The PRC is making further efforts to reform its economic system. In 2005, the State Council Office of Northeast Revitalization published the "Implementation Opinions on the Further Opening of the Northeastern Industrial Base to Foreign Investment", pursuant to which certain sectors in the northeastern PRC region will be further opened up to foreign investment. These sectors included the development and operation of city gas, heat and water pipelines, where the restrictions on foreign equity investments will be relaxed, to the extent that foreign investors might hold controlling interests upon approval by the PRC authorities. In February 2005, the State Council released a new policy paper on "Encouraging, Supporting and Guiding the Development of the Non-State Sector" which lowers the threshold for private businesses' entry into sectors the State previously monopolised. This coincided with the formation of the first non-State oil enterprise in the PRC, providing ample evidence that the market economy of the PRC is gradually becoming more sophisticated. Such favourable conditions provide good opportunities for the Group in new project development.

The Panva Gas Group at this stage is adhering equal importance to corporate management and new project development, and focusing on the parallel expansion of piped gas business and LP Gas business. As far as corporate management is concerned, the Panva Gas Group is making realignments and enhancements for its new acquired enterprises, targeting at their specific needs that arise from the differences in geographic characteristics and individual circumstances. With regard to new project development, the Panva Gas Group will continue to increase its penetration in the target cities in Sichuan province and northeastern PRC region, while seeking for quality projects in the northern, eastern and southern PRC regions on a selective basis.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

Period ended 30 June 2005 compared to period ended 30 June 2004

(a) The Group

Business review

For the six months ended 30 June 2005, the Group achieved satisfactory results with increased contributions from both gas fuel business and electricity generating business. The Group recorded a turnover of HK\$1,591.2 million, representing an increase of 68.3% as compared to the same period last year. Gross profit increased to HK\$343.0 million, an increase of 63.7% as compared to the same period last year. Profit attributable to Shareholders increased to HK\$328.7 million representing an increase of 371.8% as compared to the corresponding same period. Earnings per share were HK14.02 cents.

Strong performance was mainly contributed by the Group's gas fuel business, which continued to show significant progress and the consolidation of the electricity generating business and gain from non-operational activities. The property development business recorded a segment loss for the period as no new development projects were completed during the period under review and the loss was mainly derived from the fixed overheads.

Previously, the Group applied the stage of completion method to recognise revenue from pre-completion contracts for the sale of development properties. In the current period, the Group has, for the first time, applied Hong Kong Interpretation 3 ("HK-Int 3") which only allowed the use of completion method to recognize revenue from pre-completion contracts for the sale of development properties. The Group has elected to easier adopt the requirements of HK-Int 3 to pre-completion contracts for the sales of development properties entered into on or after 1 January 2004.

Overview on the Property Development Business

For the six months ended 30 June 2005, the Group recorded a turnover of HK\$28.6 million for the property development business, representing a decrease of 65.6% as compared to the same period last year. The Group sold a total floor area of approximately 3,846 square metres during the period as compared to 12,200 square metres for the same period last year and was mainly derived from the sales of the remaining units of *The Mandarin House* and *Sinolink No.8*.

As at 30 June 2005, the Group has the following properties under development:

- (1) Sinolink Garden Phase Four western district, *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. With Jusco as a major anchor tenant, the project also concentrates in the development of medium size properties. The development is expected to be completed by September 2005. The average selling price for the period was RMB8,565, an increase of approximately 6.6% as compared to 2004 with a total of 105,800 square metres presold since July 2004;

LETTER FROM THE BOARD

- (2) The *Mangrove West Coast* is a 1,301 units development project with a total gross floor area of approximately 249,300 square metres. This residential development project has completed its structural part of the development and expects to be completed in the first half of 2006. Its presale has commenced since May 2005. The average selling price for the period was RMB20,600 per square metre with a total of 19,800 square metres presold since May 2005;
- (3) Sinolink Garden Phase Five eastern district, is a development project with a total site area of 40,786 square metres and total gross floor area of 228,574 square metres. This development project is currently in the planning stage and it is expected that construction works will commence at the beginning of 2006 and be completed in the second half of 2008.

Overview on Electricity Generation Business

For the six months ended 30 June 2005, the Group's electricity generation business operated through Enerchina Holdings limited ("Enerchina"), recorded turnover of HK\$589.1 million, an increase of 61.5% and sold 1,022.3 million kwh of electricity, representing an increase of 61.4% as compared to 633.5 million kwh over the same period last year. This remarkable performance was the result of the increase in power generation due to increased capacity, the strong demand for electricity in the Guangdong Province and the continuation of implementing effective cost control by the management especially on the fuel supply. As at 30 June 2005, Enerchina Group was equipped with a total installed capacity of 665,000 kilowatts, an increase of 2.2 times over the installed capacity in the previous period.

Enerchina expects the current price level of crude oil will sustain for a period of time due to the uncertainties encountered in the oil producing regions and the un-equilibrium price of supply and demand. Going forward, the management will continue to implement various remedial measures in order to minimize the fluctuation of fuel costs. Enerchina is also in discussion with Shenzhen Power Supply Bureau on various measures in order to compensate part or all of the increased fuel costs. In the immediate term, the Group is actively pursuing to convert using heavy oil to natural gas as our primary source of fuel to generate electricity at the power plant as natural gas and is expecting to be significantly cheaper source of fuel with substantial less pollution.

In the first half of 2005, Enerchina had completed a disposal of its 41.0% equity interest in Xin Hua Control Engineering Company Limited ("Xin Hua Control") for a consideration of US\$23.5 million, which was equivalent to approximately HK\$182.8 million and recorded a gain of approximately HK\$95.9 million from the disposal. Xin Hua Control is principally engaged in the business of manufacture and sale of control systems for power plants and large scale manufacturing plants. The Directors of Enerchina are of the view that the disposal is the sale of non-core business and it is in the interest of Enerchina.

As its installed capacity increases, the Enerchina expects the power output to further increase in the second half of 2005. The Enerchina will continue to strengthen its remedial policies to mitigate the effect of the rising fuel costs. In addition, the Group will endeavour to reduce operating costs and enhance overall efficiency.

LETTER FROM THE BOARD

Overview on Gas Fuel Business

For the six months ended 30 June 2005, the Group's gas fuel business, operated by Panva Gas, recorded a turnover of HK\$958.1 million, an increase of 12.9% over the same period last year. Gross profit grew by 31.3% to HK\$225.0 million and profit attributable to shareholders increased by 34.0% to HK\$128.2 million.

The gas fuel business was further divided into wholesale and retail of Liquefied Petroleum Gas ("LP Gas"), the sale of piped gas and gas pipeline development business. The turnover contribution from each of these activities amounted to HK\$418.8 million, HK\$256.1 million HK\$55.0 million and HK\$199.2 million, accounting for 43.7%, 26.7%, 5.7% and 20.8% respectively to the Panva Gas's turnover.

The PRC economy remained in good shape during the first half of 2005, showing high growth with low inflation. According to a report of the People's Bank of China, the PRC is expected to record a growth of 9.2% in gross domestic product for the first six months. It is anticipated that rapid growth will be phasing over to solid growth as the PRC enters into a new stage of economic expansion. A solidly growing economy will provide good conditions for the Group's gas fuel business to accelerate its development

Financial position

The Group's total borrowings increased from HK\$4,332.6 million as at 31 December 2004 to HK\$4,103.3 million as at 30 June 2005. The net decrease is mainly due to repayment of bank and other loans. The proportion of borrowings due within one year to total borrowings increased from 18.7% to 34.6% and a long term borrowings to equity ratio of 100%. Bank borrowings are mainly used to finance the property development projects and the construction of power plants and the convertible note, convertible bonds and the guaranteed senior notes are used for the expansion gas fuel business. The borrowings are mainly at floating interest rates.

Other than pledged bank deposits, assets pledged in securing these loans have a net book value of HK\$651.3 million as at 30 June 2005. The borrowings of the Group are denominated in RMB, United States Dollars and Hong Kong 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 swaps entered into by Panva Gas Group 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\$3,090.5 million as at 30 June 2005 are mostly denominated in RMB, Hong Kong dollars and US dollars.

LETTER FROM THE BOARD

GROUP REORGANISATION

On 7 April 2005, the Board of the Company had reached an agreement with the Board of Enerchina, whereby the Company agreed to sell its stake of 58.45% interest in Panva Gas to Enerchina for a consideration HK\$1,753.0 million payable in issuing new shares of Enerchina at HK\$0.69 per share. Both the board of Sinolink and Enerchina consider that Panva Gas will provide a long term and reliable income base for Enerchina and as Enerchina itself is already a subsidiary of Sinolink, after completion of the acquisition, Panva Gas remain as the Company's subsidiary. The re-organisation was completed on 2 June 2005.

Subsequent to the acquisition, the Group through Enerchina had made various on-market purchases aggregated to 19,935,000 shares of Panva Gas for a total consideration of HK\$62.3 million, equivalent to an average of HK\$3.126 per share, representing approximately 2.1% of the issued share capital of Panva Gas. As the results of the acquisition and the various on-market purchases, the Group is currently holding approximately 60.6% shareholding interest in Panva Gas.

Year ended 31 December 2004 compared to year ended 31 December 2003

(a) The Group

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.

Overview on Property Development Business

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 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.

Overview on Gas Fuel Business

For the year ended 31 December 2004, the Group's gas fuel business, operated by Panva Gas Holdings Limited ("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.

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.

LETTER FROM THE BOARD

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.

Overview on Electricity Generation Business

The electricity generation business of the Company is used to be conducted through one of its associate, Enerchina Holdings Limited ("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 borrowings also increased due to the consolidation of the loans of Enerchina, which became a subsidiary of the Sinolink 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 note, 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.

VIII. LITIGATION

A supplier filed an arbitration in August 2003 against Shenzhen Fuhuade Electric Power Co., Limited, a subsidiary of the Company, claiming for additional contract price in the amount of HK\$28 million for additional work involved during installation of new generating units. The arbitration is still in progress and the outcome of such cannot be ascertained. No provision for the amount claimed has been made by the Group as at the Latest Practicable Date.

IX. ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board of
Sinolink Worldwide Holdings Limited
Tang Yui Man Francis
Chief Executive Officer

1. SUMMARY OF FINANCIAL INFORMATION

I. FINANCIAL INFORMATION FOR THE GROUP

(i) Consolidated Income Statement

Set out below are the unaudited financial statements of the Group for the six monthes ended 30 June 2005, and the audited consolidated income statement 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.

	1.1.2005 to 30.06.2005	1.1.2004 to 31.12.2004	1.1.2003 to 31.12.2003	1.1.2002 to 31.12.2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Audited and restated)</i>	<i>(Audited)</i>
Turnover	1,591,212	2,406,388	1,815,356	1,525,406
Cost of sales	<u>(1,248,203)</u>	<u>(1,755,793)</u>	<u>(1,336,630)</u>	<u>(1,156,903)</u>
Gross profit	343,009	650,595	478,726	368,503
Other operating income	56,279	33,566	25,511	20,953
Distribution costs	(47,631)	(72,691)	(52,512)	(46,380)
Administrative expenses	(142,525)	(148,231)	(130,649)	(117,081)
Other operating expenses	<u>(4,051)</u>	<u>(34,118)</u>	<u>(15,159)</u>	<u>(3,509)</u>
Profit from operations	205,081	429,121	305,917	222,486
Finance costs	(69,003)	(34,721)	(10,630)	(4,350)
Gain on disposal of subsidiaries	—	90,705	293,817	195,908
Gain on disposal of available-for-sale investments	110,075	—	—	—
Gain on group restructuring exercise	180,401	—	—	—
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 (loss) 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	—
Gain on partial disposal of a subsidiary	40,658	—	—	—

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

	1.1.2005 to 30.06.2005 <i>HK\$'000</i> <i>(Unaudited)</i>	1.1.2004 to 31.12.2004 <i>HK\$'000</i> <i>(Audited)</i>	1.1.2003 to 31.12.2003 <i>HK\$'000</i> <i>(Audited and restated)</i>	1.1.2002 to 31.12.2002 <i>HK\$'000</i> <i>(Audited)</i>
Share of results of associates	28,561	26,482	5,981	(22,749)
Amortisation of goodwill of associates	<u>—</u>	<u>(2,615)</u>	<u>(2,724)</u>	<u>(1,816)</u>
Profit before taxation	495,773	505,274	805,247	389,245
Taxation	<u>(16,733)</u>	<u>(39,385)</u>	<u>(48,654)</u>	<u>(16,068)</u>
Profit before minority interests	479,040	465,889	756,593	373,177
Minority interests	<u>(150,388)</u>	<u>(151,412)</u>	<u>(126,658)</u>	<u>(78,748)</u>
Net profit for the year	<u><u>328,652</u></u>	<u><u>314,477</u></u>	<u><u>629,935</u></u>	<u><u>294,429</u></u>
Dividends	<u><u>148,142</u></u>	<u><u>105,134</u></u>	<u><u>114,736</u></u>	<u><u>55,483</u></u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings per share				
Basic	<u><u>14.02</u></u>	<u><u>13.61</u></u>	<u><u>28.15</u></u>	<u><u>16.17</u></u>
Diluted	<u><u>13.72</u></u>	<u><u>12.87</u></u>	<u><u>27.54</u></u>	<u><u>15.40</u></u>

(ii) Financial Position

Set out below is a summary of the audited financial information of the Group.

	30.6.2005 <i>HK\$'000</i> <i>(Unaudited)</i>	31.12.2004 <i>HK\$'000</i> <i>(Audited)</i>	31.12.2003 <i>HK\$'000</i> <i>(Audited and restated)</i>	31.12.2002 <i>HK\$'000</i> <i>(Audited)</i>
Total assets	10,709,942	9,492,063	4,691,596	3,365,046
Total liabilities	(6,179,173)	(5,173,748)	(1,630,302)	(1,331,096)
Minority interests	<u>(1,846,791)</u>	<u>(1,888,445)</u>	<u>(874,556)</u>	<u>(454,734)</u>
Net assets	<u><u>2,683,978</u></u>	<u><u>2,429,870</u></u>	<u><u>2,186,738</u></u>	<u><u>1,579,216</u></u>

(iii) Unaudited interim financial statements for the period ended 30 June 2005

Set out below is the unaudited condensed consolidated income statement, condensed consolidated balance sheet, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and notes to the condensed financial statements reproduced from the unaudited accounts published in the Group's Interim Report for the period ended 30 June 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

		Six months ended	
		30.6.2005	30.6.2004
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited and restated)</i>
Turnover	3	1,591,212	945,476
Cost of sales		<u>(1,248,203)</u>	<u>(735,960)</u>
Gross profit		343,009	209,516
Other operating income		56,279	9,708
Distribution expenses		(47,631)	(34,433)
Administrative expenses		(142,525)	(61,821)
Other operating expenses		(4,051)	(3,657)
Finance costs	4	(69,003)	(6,467)
Gain on group restructuring exercise	5	180,401	—
Gain on partial disposal of a subsidiary		40,658	—
Gain on disposal of available-for-sale investments	6	110,075	—
Loss on deemed disposal arising from dilution of interest in a subsidiary		—	(3,917)
Gain on disposal of a subsidiary		—	3,898
Share of results of associates		<u>28,561</u>	<u>14,191</u>
Profit before taxation	7	495,773	127,018
Taxation	8	<u>(16,733)</u>	<u>(9,334)</u>
Net profit for the period		<u>479,040</u>	<u>117,684</u>
Attributable to:			
Equity holders of the parent		328,652	69,657
Minority interests		<u>150,388</u>	<u>48,027</u>
		<u>479,040</u>	<u>117,684</u>

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	<i>Notes</i>	Six months ended	
		30.6.2005 <i>HK\$'000</i> <i>(Unaudited)</i>	30.6.2004 <i>HK\$'000</i> <i>(Unaudited and restated)</i>
Dividends	9		
Interim dividend declared of HK3.0 cents (2004: HK1.5 cents) per share		70,544	34,781
Special interim dividend declared of HK3.3 cents (2004: nil) per share		<u>77,598</u>	<u>—</u>
		<u>148,142</u>	<u>34,781</u>
Earnings per share	10		
Basic		<u>HK14.02 cents</u>	<u>HK3.03 cents</u>
Diluted		<u>HK13.72 cents</u>	<u>HK2.80 cents</u>

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Condensed consolidated balance sheet

At 30 June 2005

	NOTES	30.6.2005 HK\$'000 (unaudited)	31.12.2004 HK\$'000 (audited and restated)
Non-current assets			
Property, plant and equipment	11	2,554,390	2,291,243
Intangible asset		9,132	9,160
Goodwill		291,467	252,849
Interests in associates	12	454,030	70,795
Investments in securities		—	146,099
Available-for-sale investments	13	261,495	—
Prepaid lease payments		81,975	74,574
Pledged bank deposits		136,568	77,950
Long-term receivables		24,459	—
		<u>3,813,516</u>	<u>2,922,670</u>
Current assets			
Stock of properties		2,553,526	2,308,648
Inventories		223,374	102,102
Trade and other receivables	14	1,065,434	870,798
Prepaid lease payments		2,530	2,314
Amounts due from minority shareholders		28,064	28,064
Investments in securities		—	49,576
Investments held for trading		69,587	—
Pledged bank deposits		82,193	72,467
Bank balances and cash		2,871,718	3,468,306
		<u>6,896,426</u>	<u>6,902,275</u>
Current liabilities			
Trade and other payables	15	1,868,313	1,009,211
Taxation payable		73,535	63,589
Amounts due to minority shareholders		22,560	30,773
Borrowings — amount due within one year	16	1,418,844	811,559
Derivative financial instruments		111,458	—
		<u>3,494,710</u>	<u>1,915,132</u>

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	NOTES	30.6.2005 HK\$'000 (unaudited)	31.12.2004 HK\$'000 (audited and restated)
Net current assets		3,401,716	4,987,143
Total assets less current liabilities		7,215,232	7,909,813
Non-current liabilities			
Borrowings — amount due after one year	16	2,684,463	3,521,065
Net assets		4,530,769	4,388,748
Capital and reserves			
Share capital	17	234,972	233,345
Reserves		2,449,006	2,234,560
Equity attributable to equity holders of the parent		2,683,978	2,467,905
Minority interests		1,846,791	1,920,843
Total equity		4,530,769	4,388,748

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2005

	Attributable to equity holders of the parent													
	Share capital HK\$'000	Share premium HK\$'000	Asset revaluation reserve HK\$'000	Translation reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Goodwill reserve HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Contributed surplus HK\$'000	Convertible bonds reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2004	191,104	370,859	3,129	(7,058)	—	2,632	603	57,937	367,782	—	1,199,750	2,186,738	874,556	3,061,294
As originally stated	—	—	(3,129)	—	—	(2,632)	—	—	—	30,988	48,725	73,952	20,998	94,950
Effects of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
As restated	191,104	370,859	—	(7,058)	—	—	603	57,937	367,782	30,988	1,248,475	2,260,690	895,554	3,156,244
Exchange difference arising on translation of overseas operations	—	—	—	(2,017)	—	—	—	—	—	—	—	(2,017)	(1,365)	(3,382)
Recognition of equity-settled share based payments	—	—	—	—	3,258	—	—	—	—	—	—	3,258	1,520	4,778
Net (expenses)/income recognised directly in equity	—	—	—	(2,017)	3,258	—	—	—	—	—	—	1,241	155	1,396
Realised on partial disposal of interest in subsidiaries	—	—	—	227	(154)	—	(57)	(219)	—	(2,727)	—	(2,930)	—	(2,930)
Net profit for the year	—	—	—	—	—	—	—	—	—	—	277,935	277,935	141,474	419,409
Total recognised income/(expenses) for the year	—	—	—	(1,790)	3,104	—	(57)	(219)	—	(2,727)	277,935	276,246	141,629	417,875
Bonus issue of shares	38,306	(38,306)	—	—	—	—	—	—	—	—	—	—	—	—
Shares issued at premium	3,935	19,275	—	—	—	—	—	—	—	—	—	23,210	—	23,210
Transfer	—	—	—	—	—	—	—	8,456	—	—	(8,456)	—	—	—
Disposals of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	(31)	(31)
Acquired on acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	787,606	787,606
Capital contribution from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	50,630	50,630
Changes in minority interests on deemed/partial disposal of interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	78,709	78,709
Reduction in minority interests on acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	(1,472)	(1,472)
Dividends	—	—	—	—	—	—	—	—	—	—	(92,241)	(92,241)	—	(92,241)
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	(31,782)	(31,782)
At 31 December 2004	233,345	351,828	—	(8,848)	3,104	—	546	66,174	367,782	28,261	1,425,713	2,467,905	1,920,843	4,388,748
Effect of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	(70,354)	(70,354)	(42,011)	(112,365)
At 1 January 2005 — as restated	233,345	351,828	—	(8,848)	3,104	—	546	66,174	367,782	28,261	1,355,359	2,397,551	1,878,832	4,276,383

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	Attributable to equity holders of the parent												
	Share capital HK\$ '000	Share premium HK\$ '000	Asset revaluation reserve HK\$ '000	Translation reserve HK\$ '000	Employee share-based compensation reserve HK\$ '000	Goodwill reserve HK\$ '000	Capital reserve HK\$ '000	General reserve HK\$ '000	Contributed surplus HK\$ '000	Convertible bonds reserve HK\$ '000	Accumulated profits HK\$ '000	Minority interests HK\$ '000	Total HK\$ '000
At 1 January 2004													
As originally stated	191,104	370,859	3,129	(7,058)	—	2,632	603	57,937	367,782	—	1,199,750	874,556	3,061,294
Effects of changes in accounting policies	—	—	(3,129)	—	—	(2,632)	—	—	—	30,988	48,725	20,998	94,950
As restated	191,104	370,859	—	(7,058)	—	—	603	57,937	367,782	30,988	1,248,475	895,554	3,156,244
Exchange difference arising on translation of overseas operations recognised directly in equity	—	—	—	4	—	—	—	—	—	—	—	—	4
Net profit for the period	—	—	—	—	—	—	—	—	—	—	69,657	48,027	117,684
Total recognised income for the period	—	—	—	4	—	—	—	—	—	—	69,657	48,027	117,688
Bonus issue of shares	38,306	(38,306)	—	—	—	—	—	—	—	—	—	—	—
Shares issued at premium	2,406	11,540	—	—	—	—	—	—	—	—	—	—	13,946
Transfers	—	—	—	—	—	—	—	260	—	—	(260)	—	—
Recognition of equity-settled share based payments	—	—	—	—	483	—	—	—	—	—	—	—	483
Capital contribution from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	49,613	49,613
Acquired on acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	5,124	5,124
Changes in minority interests on deemed/partial disposal of interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	3,542	3,542
Reduction in minority interests on acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(1,472)	(1,472)
Dividends	—	—	—	—	—	—	—	—	—	—	(57,460)	—	(57,460)
Dividend paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(3,684)	(3,684)
At 30 June 2004	231,816	344,093	—	(7,054)	483	—	603	58,197	367,782	30,988	1,260,412	996,704	3,284,024

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2005

	Six months ended	
	30.6.2005	30.6.2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net cash from (used in) operating activities	<u>462,308</u>	<u>(159,216)</u>
Net cash used in investing activities		
Cash paid for acquisition of property, plant and equipment	(276,157)	(125,266)
Cash paid for acquisition of an associate	(354,724)	—
Cash paid for acquisition of subsidiaries	(49,813)	—
Cash paid for partial acquisition of an associate	—	(228,623)
Repayment of an associate	—	75,000
Cash paid for the acquisition of available-for-sale investments	(198,584)	—
Proceeds from disposal of available-for-sale investments	172,470	—
Other investing cash flows	<u>2,527</u>	<u>88,900</u>
	<u>(704,281)</u>	<u>(189,989)</u>
Net cash from (used in) financing activities		
Dividend paid to shareholders	(70,418)	(57,460)
Dividend paid by a subsidiary to minority shareholders	(40,778)	(3,684)
Proceeds from issue of new shares	11,085	13,946
New borrowings	607,285	46,733
Repayment of borrowings	(853,577)	(3,517)
Other financing cash flows	<u>(8,212)</u>	<u>47,988</u>
	<u>(354,615)</u>	<u>44,006</u>
Decrease in cash and cash equivalents	(596,588)	(305,199)
Bank balances and cash at beginning of the period	<u>3,468,306</u>	<u>1,309,473</u>
Bank balances and cash at end of the period	<u><u>2,871,718</u></u>	<u><u>1,004,274</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2005

1. GENERAL

The Company was 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 principal activities of the Group are property development, sale and distribution of liquefied petroleum gas and natural gas (“Gas Fuel”), construction of gas pipelines and electricity supplies.

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2004 except as described below.

HKAS 16 Property, Plant and Equipment

The Group has changed its accounting policy and elected for the leasehold buildings of the Group to be stated at cost less accumulated depreciation rather than at their revalued amount. As the value of the properties within the Group has not experienced any material fluctuations in the past, the Group believes that by stating its building at cost would reflect a more accurate position to user of the financial statements. Comparative figures have been restated.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the condensed presentation of the condensed consolidated income statement, condensed consolidated balance sheet and the consolidated statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

HKAS 17 Leases

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 interest 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. If the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

HKAS 32 Financial Instruments: Disclosure and Presentation**HKAS 39 Financial Instruments: Recognition and Measurement**

The adoption of HKAS 32 and HKAS 39 has resulted in changes in accounting policies for recognition, measurement, derecognition and disclosure of financial instruments.

Financial Instruments*Convertible bonds*

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The principal impact of HKAS 32 on the Group is in relation to convertible bonds issued by the Group that contain both liability and equity components. Previously, convertible loan notes were classified as liabilities on the balance sheet. Because HKAS 32 requires retrospective application, comparative figures have been restated. Comparative profit for 2004 has been restated in order to reflect the increase in effective interest on the liability component.

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as “investments in securities” and “other investments” as appropriate. “Investments in securities” are carried at cost less impairment losses (if any) while “other investments” are measured at fair value, with unrealised gains or losses included in the profit or loss. From 1 January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. The classification depends on the purpose for which the assets are acquired. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment.

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables” or “held-to-maturity financial assets”. Financial liabilities are generally classified as “financial liabilities at fair value through profit or loss” or “financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)”. “Other financial liabilities” are carried at amortised cost using the effective interest method.

Derivatives and hedging

By 31 December 2004, interest rate swaps entered into for hedging purposes were accounted for on an accrual basis and were 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.

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in the profit or loss for the period in which they arise.

The Group has applied the relevant transitional provisions in HKAS 39. From 1 January 2005 onwards, the Group has applied hedge accounting in accordance with HKAS 39 to account for such hedges. For derivatives that are not held for hedging purposes, on 1 January 2005, the Group recognised the difference between the previous carrying amount recognised on the balance sheet and the fair value on 1 January 2005, amounting to HK\$70.4 million, in the Group's accumulated profits.

HKFRS 2 Share-based Payment

In the current period, the Group has applied HKFRS 2 Share-based Payment which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. Comparative figures have been restated.

HKFRS 3 Business Combinations

The Group resolved to early adopted HKFRS 3 for business combinations with agreement date entered on or after 1 January 2002. The adoption of HKFRS 3 has resulted in a change in accounting policy for goodwill and negative 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. Negative goodwill was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted.

In accordance with the transitional provisions of HKFRS 3, the Group ceased amortization of goodwill from 1 January 2002 onwards and goodwill will be tested for impairment at least annually of in the financial year in which the acquisition takes place. The Group has derecognised all negative goodwill previously presented as a deduction from assets with a corresponding increase to accumulated profit.

Hong Kong Interpretation 3 Pre-completion Contracts for the Sale of Development Properties ("HK-Int 3")

Previously, the Group applied the stage of completion method to recognise revenue from pre-completion contracts for the sale of development properties. In the current period, the Group has, for the first time, applied HK-Int 3 which clarifies that the use of stage of completion method to recognise revenue from pre-completion contracts for the sale of development properties is not appropriate. Under HK-Int 3, revenue arising from pre-completion contracts for the sale of development properties is recognised only when all of the criteria specified in paragraph 14 of HKAS 18 Revenue are met. The Group has elected to early adopt the requirements of HK-Int 3 to pre-completion contracts for the sale of development properties entered into on or after 1 January 2004. Accordingly, comparative figures have been restated.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

The effects of the changes in the accounting policies described above on the results for the current and prior period are as follows:

	Six months ended	
	30.6.2005	30.6.2004
	HK\$'000	HK\$'000
Expenses in relation to share options granted to employees	(22,047)	(483)
Decrease in amortisation and depreciation of property, plant and equipment	20	20
Decrease in amortisation of goodwill	8,177	2,194
Decrease in release of negative goodwill to consolidated income statement	(692)	(965)
Increase in negative fair value of derivatives	2,014	—
Increase in share of results of associates	—	1,978
Effect of the application of HK-Int3	(218,651)	—
Decrease/(increase) in minority interests' share of results for the period	<u>40,096</u>	<u>(137)</u>
 (Decrease)/increase in net profit for the period	 <u>(191,083)</u>	 <u>2,607</u>

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 are summarised below:

	HK\$'000
Balance sheet items	
Decrease in property, plant and equipment	(83,011)
Increase in prepaid lease payments	76,888
Increase in goodwill	72,729
Decrease in negative goodwill	40,125
Increase in interests in associates	118
Increase in stock of properties	226,033
Increase in trade and other payables	(327,407)
Decrease in taxation payable	15,881
Decrease in borrowings — amount due after one year	<u>49,077</u>
Changes in equity	
Increase in accumulated profits	12,183
Increase in convertible bonds reserve	28,261
Decrease in asset revaluation reserve	(2,881)
Increase in employee share-based compensation reserve	3,104
Decrease in goodwill reserve	(2,632)
Increase in minority interests	<u>32,398</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

The financial effects of the application of the new HKFRSs to the Group's equity at 1 January 2004 are summarized below:

	<i>HK\$'000</i>
<i>Increase in accumulated profits</i>	48,725
Decrease in goodwill reserve	(2,632)
Increase in convertible bonds reserve	30,988
Decrease in asset revaluation reserve	(3,129)
Increase in minority interests	<u>20,998</u>

An amount of HK\$77,950,000 was reclassified from bank balances and cash to non-current pledged bank deposits during the period.

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three operating divisions-property development, gas fuel business and electricity supplies. These divisions are the basis on which the Group reports its primary segment information.

An analysis of the Group's turnover and contribution to profit from operations for the six months ended 30 June 2005 is as follows:

Six months ended 30 June 2005

	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	28,621	958,053	589,101	15,437	—	1,591,212
Inter-segment	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,684</u>	<u>(1,684)</u>	<u>—</u>
Total	<u>28,621</u>	<u>958,053</u>	<u>589,101</u>	<u>17,121</u>	<u>(1,684)</u>	<u>1,591,212</u>
SEGMENT RESULT	<u>(7,975)</u>	<u>207,455</u>	<u>87,602</u>	<u>4,127</u>	<u>—</u>	291,209
Other operating income						56,279
Unallocated corporate expenses						(142,407)
Finance costs						(69,003)
Gain on group restructuring exercise						180,401
Gain on partial disposal of a subsidiary	—	—	40,658	—	—	40,658
Gain on disposal of available-for-sale investments						110,075
Share of results of associates	—	28,561	—	—	—	<u>28,561</u>
Profit before taxation						495,773
Taxation						<u>(16,733)</u>
Net profit for the period						<u>479,040</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

Six months ended 30 June 2004

	Property Development <i>HK\$'000</i>	Gas Fuel Business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER					
External	83,217	848,634	13,625	—	945,476
Inter-segment	—	—	4,771	(4,771)	—
Total	<u>83,217</u>	<u>848,634</u>	<u>18,396</u>	<u>(4,771)</u>	<u>945,476</u>
SEGMENT RESULT	<u>10,592</u>	<u>126,806</u>	<u>2,691</u>	<u>—</u>	140,089
Other operating income					9,708
Unallocated corporate expenses					(30,484)
Finance costs					(6,467)
Loss on deemed disposal arising from dilution of interest in a subsidiary	—	(3,917)	—	—	(3,917)
Gain on disposal of subsidiaries	3,898	—	—	—	3,898
Share of results of associates					<u>14,191</u>
Profit before taxation					127,018
Taxation					<u>(9,334)</u>
Net profit for the period					<u>117,684</u>

Inter-segment sales are charged at prevailing market prices.

As over 90% of the consolidated turnover is derived from the People's Republic of China ("PRC"), an analysis of the consolidated turnover by geographical location is not presented.

4. FINANCE COSTS

	Six months ended	
	30.6.2005	30.6.2004
	HK\$'000	HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	47,935	17,308
Bank and other borrowings not wholly repayable within five years	69,141	—
Amortisation of direct issuance costs of guaranteed senior notes	3,312	—
Amortisation of premium payable on redemption of convertible bonds	<u>2,924</u>	<u>—</u>
	123,312	17,308
Net interest (receivable) payable on interest rate swaps	<u>(43,806)</u>	<u>12</u>
	79,506	17,320
Less: Amount capitalised to properties under development	(7,649)	(10,950)
Amount capitalised to construction in progress	<u>(7,014)</u>	<u>—</u>
	64,843	6,370
Others	<u>4,160</u>	<u>97</u>
	<u><u>69,003</u></u>	<u><u>6,467</u></u>

5. GAIN ARISING ON GROUP RESTRUCTURING EXERCISE

During the period, the Group carried out a group restructuring exercise of which the Group disposed its entire interest in Panva Gas Holdings Limited (“Panva Gas”) of 58.45% to a non-wholly owned subsidiary, Enerchina Holdings Limited (“Enerchina”), at a consideration of 2,540,915,880 new shares of Enerchina which was settled by the allotment and issued credited as fully paid to the Group. A gain of approximately HK\$180,401,000 was resulted from the above group restructuring exercise.

6. GAIN ON DISPOSAL OF AVAILABLE-FOR-SALE INVESTMENTS

During the period, the Group disposed of its 41% equity interests in Xin Hua Control Engineering Company Limited (“Xin Hua Control”) which is classified as available-for-sale investment and certain other available-for-sale investments. The gain on disposal is completed as follow:

	HK\$'000
Net assets disposal of:	
Investments	83,188
Dividend receivable	3,475
Other receivable	191
	86,854
Gain on disposal	110,075
Cash consideration	196,929

Included in cash consideration is the long-term receivable of HK\$24,459,000 bearing prevailing market interest rate which will be released to the Group in 2006.

7. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2005	30.6.2004
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	72,225	18,765
Amortisation of prepaid lease payments	1,259	726
Share of tax of associates (included in share of results of associates)	5,336	—
and after crediting:		
Interest income	27,882	3,062
Fair value changes on investments held-for-trading	5,414	—

8. TAXATION

	Six months ended	
	30.6.2005	30.6.2004
	HK\$'000	HK\$'000
Charge for the period		
PRC income tax	16,733	9,334

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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 period has been provided for after taking these tax incentives into account.

9. DIVIDENDS

The directors have resolved to declare an interim dividend of HK3.0 cents (2004: HK1.5 cents) per share and a special interim dividend of HK3.3 cents (2004: nil) per share in respect of six months ended 30 June 2005. The interim dividend and the special interim dividend are payable on or before 14 October 2005 to shareholders whose names appear on the register of members of the Company on 7 October 2005.

10. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2005	30.6.2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purpose of basic earnings per share	328,652	69,657
Adjustment to the share of result of subsidiaries based on dilution of their earnings per share	<u>(5,882)</u>	<u>(4,783)</u>
Earnings for the purpose of diluted earnings per share	<u><u>322,770</u></u>	<u><u>64,874</u></u>
	Number of shares	
	30.6.2005	30.6.2004
Weighted average number of shares for the purpose of basic earnings per share	2,344,964,505	2,299,340,261
Effect of dilutive potential ordinary shares: Share options	<u>7,343,098</u>	<u>14,327,267</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u><u>2,352,307,603</u></u>	<u><u>2,313,667,528</u></u>

11. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$283,171,000 (2004: HK\$213,626,000) on acquisition of property, plant and equipment.

12. INTERESTS IN ASSOCIATES

During the period, the Group acquired a 48% equity interest in Changchun Gas Holdings Limited ("Changchun Gas Holdings") at a total consideration of HK\$354,724,000. Changchun Gas Holdings and its subsidiaries are principally engaged in the production and/or distribution of natural gas, coal gas, LP Gas, metallurgical coke and coke oil.

13. AVAILABLE-FOR-SALE INVESTMENTS

During the period, the Group acquired certain investments amounting to HK\$198,584,000. These investments represent debentures and certain listed and unlisted securities in Hong Kong and the PRC.

14. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period 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 of HK\$455,073,000 (31.12.2004: HK\$306,885,000), the aged analysis of which is as follows:

	30.6.2005	31.12.2004
	HK\$'000	HK\$'000
Aged:		
0 to 90 days	444,864	303,752
91 to 180 days	2,128	841
181 to 360 days	2,161	1,798
Over 360 days	5,920	494
	<u>455,073</u>	<u>306,885</u>

15. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$241,535,000 (31.12.2004: HK\$105,381,000), the aged analysis of which is as follows:

	30.6.2005	31.12.2004
	HK\$'000	HK\$'000
Aged:		
0 to 90 days	211,466	74,595
91 to 180 days	11,736	6,482
181 to 360 days	3,687	9,258
Over 360 days	14,646	15,046
	<u>241,535</u>	<u>105,381</u>

16. BORROWINGS

During the period, the Group obtained new bank and other borrowings of the amount of HK\$607,285,000 which bear interest at prevailing market interest rate. The Group also made repayment of bank and other borrowings of HK\$853,577,000 during the period.

17. SHARE CAPITAL

	30.6.2005	31.12.2004
	HK\$'000	HK\$'000
Shares of HK\$0.10 each		
Authorised:		
4,800,000,000 shares of HK\$0.10 each	480,000	480,000
Issued and fully paid:		
2,349,722,240 shares (31.12.2004: 2,333,452,240) of HK\$0.10 each	234,972	233,345

A summary of the movement in the issued capital of the Company is as follows:

	No. of shares	HK\$'000
At 1 January 2005	2,333,452,240	233,345
Issue of shares on exercise of share options	16,270,000	1,627
At 30 June 2005	2,349,722,240	234,972

18. RELATED PARTY TRANSACTIONS

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

	Six months ended	
	30.6.2005	30.6.2004
	HK\$'000	HK\$'000
Skillful Assets Limited (Notes a & b)		
— Rental paid thereto	498	498
Enerchina Holdings Limited (Note a)		
— Interest received therefrom	—	152
— Office expenses paid thereto	—	394

Notes:

- a. Transactions with these related parties are regarded as connected transactions as set out in Chapter 14 of the Listing Rules.
- b. A company controlled by Mr. Ou Yaping and of which Mr. Ou Yaping is a director.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

19. CONTINGENT LIABILITIES

	30.6.2005 HK\$'000	31.12.2004 HK\$'000
Guarantees given to banks for the mortgage loans arranged for the purchasers of the Group's properties	<u>463,816</u>	<u>261,484</u>

20. CAPITAL COMMITMENTS

	30.6.2005 HK\$'000	31.12.2004 HK\$'000
Commitments in respect of properties under development:		
— authorised but not contracted for	181,520	296,004
— contracted for but not provided in the financial statements	<u>406,041</u>	<u>381,359</u>
	587,561	677,363
Capital expenditure in respect of unpaid capital contribution of investment projects		
— contracted for but not provided in the financial statements	34,520	526,008
Capital expenditure in respect of the acquisition of property, Plant and equipment		
— contracted for but not provided in the financial statements	<u>97,416</u>	<u>191,488</u>
	<u>719,497</u>	<u>1,394,859</u>

21. PLEDGE OF ASSETS

At 30 June 2005, the Group has pledged bank deposit of HK\$218,761,000 (31 December 2004: HK\$150,417,000) and its land held under medium term leases included in the stock of properties, with an aggregate carrying amount of approximately HK\$245,075,000 (31 December 2004: HK\$441,956,000) to secure general banking facilities granted to a subsidiary of the Company.

In addition, the Group had pledged property, plant and equipment with an aggregate carrying amount of approximately HK\$406,217,000 (31 December 2004: HK\$56,472,000) to secure bank loans granted to the subsidiaries of the Company.

22. ACQUISITION OF SUBSIDIARIES

During the period, the Group acquired 70% and 100% of the registered capital of Pengshan Panva Gas Co., Ltd. (“Pengshan Panva”) and Jianyang Panva Gas Co., Ltd. (“Jianyang Panva”), respectively and 70% of the registered capital of Beijing Zhonglian Far East Engineering & Project Management Consulting Services Co., Limited (“Beijing Zhonglian”) for an aggregate cash consideration of approximately HK\$58 million. These transactions have been accounted for by the acquisition method of accounting.

	<i>HK\$'000</i>
<i>Net assets acquired:</i>	
Non-current assets	61,000
Current assets	27,774
Non-current liabilities	(12,004)
Current liabilities	<u>(37,015)</u>
Net assets acquired	39,755
Minority interests	(9,866)
Goodwill arising on acquisition	<u>28,369</u>
Cash consideration	<u><u>58,258</u></u>
Net cash outflow arising on acquisition:	
Cash consideration	58,258
Bank balances and cash acquired	<u>(8,445)</u>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u><u>49,813</u></u>

* The acquiree’s carrying amount of net assets before combination approximates to its fair value. Accordingly, no fair value adjustments are required.

The goodwill arising on the acquisition are principally attributable to the anticipated profitability of sales and distribution of Gas Fuel and related product of the Group and the gas pipeline construction operations and consulting services.

The subsidiaries acquired during the period contributed HK\$36,668,000 to the Group’s turnover and HK\$19,817,000 to the Group’s profit before taxation for the period between the date of acquisition and 30 June 2005.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

(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 Group's Annual Report for the year ended 31 December 2004.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000 (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>314,477</u>	<u>629,935</u>
Dividends	12	<u>105,134</u>	<u>114,736</u>
		HK cents	HK cents
Earnings per share	13		
Basic		<u>13.61</u>	<u>28.15</u>
Diluted		<u>12.87</u>	<u>27.54</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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	14	1,666	234
Interests in subsidiaries	18	1,532,460	905,497
Interest in an associate	19	<u>—</u>	<u>246,591</u>
		<u>1,534,126</u>	<u>1,152,322</u>
Current assets			
Trade and other receivables		1,152	11,472
Investments in securities	20	—	50,000
Amount due from an associate		—	75,000
Bank balances and cash		<u>12,118</u>	<u>754,533</u>
		<u>13,270</u>	<u>891,005</u>
Current liabilities			
Trade and other payables		280	598,150
Amounts due to subsidiaries	26	<u>381,558</u>	<u>263,059</u>
		<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	29	233,345	191,104
Reserves	30	<u>932,213</u>	<u>991,014</u>
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

HK\$'000

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>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	2004 HK\$'000	2003 HK\$'000 (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)

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

	<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)	31	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)	32	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>3,546,256</u>	<u>1,309,473</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 arisen 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>	485,528
Other operating income						33,566
Unallocated corporate expenses						<u>(89,973)</u>
Profit from operations						429,121
Finance costs						(34,721)
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)	—	—	—	(3,266)
Loss on deemed disposal arising from dilution of interest in an associate	—	—	(432)	—	—	(432)
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>314,477</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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>40,542</u>	<u>6,942</u>	<u>362</u>	<u><u>56,978</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

For the year ended 31 December 2003

	Property Development	Gas fuel business	Electricity supplies	Others	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER						
External sales	330,979	1,457,632	—	26,745	—	1,815,356
Inter-segment sales	—	—	—	9,542	(9,542)	—
	<u>330,979</u>	<u>1,457,632</u>	<u>—</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>	324,022
Other operating income						25,511
Unallocated corporate expenses						<u>(43,616)</u>
Profit from operations						305,917
Finance costs						(10,630)
Gain on disposal of subsidiaries	(94)	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)	—	—	(2,724)
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>629,935</u>

Inter-segment sales are charged at prevailing market prices.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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					<u>317,430</u>
Consolidated total assets					<u><u>4,691,596</u></u>
LIABILITIES					
Segment liabilities	166,766	151,185	—	5,820	323,771
Borrowings	823,621	411,090	—	—	1,234,711
Unallocated corporate liabilities					<u>71,820</u>
Consolidated total liabilities					<u><u>1,630,302</u></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><u>38,346</u></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	<u>6,871</u>	<u>5,478</u>
	<u><u>33,566</u></u>	<u><u>25,511</u></u>

7. PROFIT FROM OPERATIONS

	2004 HK\$'000	2003 HK\$'000
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 HK\$'000	2003 HK\$'000
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>

APPENDIX I

FINANCIAL INFORMATION RELATING TO THE GROUP

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

9. FINANCE COSTS

	2004	2003
	HK\$'000	HK\$'000
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	<u>1,270</u>	<u>—</u>
	103,756	43,682
Net interest receivable on interest rate swaps	<u>(26,239)</u>	<u>—</u>
	77,517	43,682
Less: Amount capitalised to properties under development for sale	(41,438)	(33,327)
Amount capitalised to construction in progress	<u>(1,594)</u>	<u>—</u>
	34,485	10,355
Bank charges	<u>236</u>	<u>275</u>
	<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.

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10. GAIN ON DISPOSAL OF SUBSIDIARIES

	2004 HK\$'000	2003 HK\$'000 (Restated)
Gain on partial disposal of interests in subsidiaries	87,181	307,386
Gain (loss) on disposal of subsidiaries	<u>3,524</u>	<u>(13,569)</u>
	<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 HK\$'000	2003 HK\$'000 (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 HK\$'000	2003 HK\$'000
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	<u>70,353</u>	<u>57,460</u>
	<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 HK\$'000	2003 HK\$'000 (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	<u>(14,560)</u>	<u>—</u>
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	<u>—</u>	<u>46,277,000</u>
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.

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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	<u>(7.94)</u>	<u>(7.76)</u>
	33.78	33.05
Effect of the two-for-ten bonus issue of shares	<u>(5.63)</u>	<u>(5.51)</u>
Restated	<u><u>28.15</u></u>	<u><u>27.54</u></u>

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14. PROPERTY, PLANT AND EQUIPMENT

	Medium term leasehold land and buildings in the PRC <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Gas pipelines <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	—
	<u>279,443</u>	<u>283,597</u>	<u>53,041</u>	<u>820,420</u>	<u>42,037</u>	<u>1,053,100</u>	<u>2,531,638</u>
At 31 December 2004	<u>279,443</u>	<u>283,597</u>	<u>53,041</u>	<u>820,420</u>	<u>42,037</u>	<u>1,053,100</u>	<u>2,531,638</u>
Comprising:							
At cost	—	283,597	53,041	820,420	42,037	1,053,100	2,252,195
At valuation — 2004	<u>279,443</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>279,443</u>
	<u>279,443</u>	<u>283,597</u>	<u>53,041</u>	<u>820,420</u>	<u>42,037</u>	<u>1,053,100</u>	<u>2,531,638</u>
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	<u>—</u>	<u>—</u>	<u>(8)</u>	<u>—</u>	<u>(60)</u>	<u>(39)</u>	<u>(107)</u>
At 31 December 2004	<u>29,068</u>	<u>—</u>	<u>29,957</u>	<u>32,269</u>	<u>16,732</u>	<u>49,358</u>	<u>157,384</u>
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.

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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	<u>1,795</u>
At 31 December 2004	<u>2,760</u>
DEPRECIATION	
At 1 January 2004	731
Provided for the year	<u>363</u>
At 31 December 2004	<u>1,094</u>
NET BOOK VALUES	
At 31 December 2004	<u><u>1,666</u></u>
At 31 December 2003	<u><u>234</u></u>
15. INTANGIBLE ASSET	

	Exclusive operating right for city pipeline network <i>HK\$'000</i>
THE GROUP	
COST	
At 1 January 2004 and at 31 December 2004	<u>10,035</u>
AMORTISATION	
At 1 January 2004	373
Provide 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 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)
— as restated	24,519
Arising on acquisition of subsidiaries	160,656
Eliminated on partial disposal of interest in a subsidiary	(634)
At 31 December 2004	184,541
AMORTISATION	
At 1 January 2004	3,076
Provided for the year	1,475
Eliminated on partial disposal of interest in a subsidiary	(130)
At 31 December 2004	4,421
NET BOOK VALUES	
At 31 December 2004	180,120
At 31 December 2003	21,443

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
	HK\$'000
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
At 31 December 2004	41,536
RELEASED TO INCOME	
At 1 January 2004	547
Released during the year	864
At 31 December 2004	1,411
CARRYING AMOUNT	
At 31 December 2004	40,125
At 31 December 2003	18,022

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
	HK\$'000	HK\$'000
Listed shares, at cost	398,716	—
Unlisted shares, at cost	670,174	670,174
	1,068,890	670,174
Amounts due from subsidiaries	463,570	235,323
	1,532,460	905,497
Market value of listed shares	354,571	—

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 (Note)	35,300	49,942	—	—
Negative goodwill on acquisition of an associate (Note)	—	(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 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

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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	<u>(54,482)</u>	<u>39,932</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	<u>(7,037)</u>	<u>(2,563)</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	<u>—</u>	<u>50,000</u>	<u>—</u>	<u>50,000</u>
Investment securities				
Unlisted shares, at cost	169,613	82,906	—	—
Club debentures, at cost	<u>1,486</u>	<u>1,011</u>	<u>—</u>	<u>—</u>
	171,099	83,917	—	—
Less: Impairment loss recognised	<u>(25,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>146,099</u>	<u>83,917</u>	<u>—</u>	<u>—</u>
Other investments, at market value				
Listed shares	6,590	126	—	—
Managed funds	<u>42,986</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>49,576</u>	<u>126</u>	<u>—</u>	<u>—</u>
	<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	<u>49,576</u>	<u>50,126</u>	<u>—</u>	<u>50,000</u>
	<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
	HK\$'000	HK\$'000
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>2,082,615</u>	<u>1,639,994</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
	HK\$'000	HK\$'000
Gas fuel	14,430	23,442
Fuel oil	62,367	—
Consumable stores	<u>25,305</u>	<u>12,975</u>
	<u>102,102</u>	<u>36,417</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
	HK\$'000	HK\$'000
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>306,885</u>	<u>193,176</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
	HK\$'000	HK\$'000
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	<u>15,046</u>	<u>13,940</u>
	<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
	HK\$'000	HK\$'000
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>)	<u>1,524,710</u>	<u>—</u>
	<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	<u>1,565,028</u>	<u>—</u>
	4,381,701	1,234,711
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
	HK\$'000	HK\$'000
Guaranteed Senior Notes	1,559,000	—
Less: Direct issuance costs (Note 28)	<u>(34,290)</u>	<u>—</u>
	<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
	HK\$'000	HK\$'000
Direct issuance costs incurred during the year	35,560	—
Less: Amortisation for the year	<u>(1,270)</u>	<u>—</u>
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	4,800,000,000	480,000
<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	27,200	3
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	39,350,000	3,935
At 31 December 2004	2,333,452,240	233,345

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.

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30. RESERVES

	Share premium	Asset revaluation reserve	Translation reserve	Goodwill reserve	General reserves	Capital reserve	Contributed surplus	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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)	<u>—</u>	<u>659</u>	<u>(173)</u>	<u>(40)</u>	<u>583</u>	<u>149</u>	<u>—</u>	<u>(148,115)</u>	<u>(146,937)</u>
— as restated	370,859	3,129	(7,058)	2,632	57,937	603	367,782	1,199,750	1,995,634
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>

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	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	6,024
Dividends	<u>—</u>	<u>—</u>	<u>(57,276)</u>	<u>(57,276)</u>
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	<u>—</u>	<u>—</u>	<u>(92,241)</u>	<u>(92,241)</u>
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.

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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	2003
	HK\$'000	HK\$'000
Contributed surplus	572,173	572,173
Accumulated profits	<u>8,212</u>	<u>47,982</u>
	<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
	HK\$'000	HK\$'000
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)
	589,448	26,411
Goodwill	160,656	—
Negative goodwill	(22,646)	(6,954)
	727,458	19,457
Satisfied by:		
Cash paid	272,704	15,716
Interest in an associate	438,259	—
Amounts due to minority shareholders	16,495	3,741
	727,458	19,457
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	635,592	(15,173)

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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 HK\$'000	2003 HK\$'000
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)
	49,077	28,558
Realisation of reserves on disposal:		
Asset revaluation reserve	—	(64)
Translation reserve	—	(19)
General reserves	—	(75)
Capital reserve	—	32
	49,077	28,432
Gain (loss) on disposal	3,524	(13,569)
Total consideration	52,601	14,863
Satisfied by:		
Cash consideration	52,601	14,863
Net cash inflow arising on disposal:		
Cash received	52,601	14,863
Bank balance and cash disposed of	(126)	(21)
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	52,475	14,842

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
	HK\$'000	HK\$'000
Skillful Assets Limited		
— Rental paid thereto	996	996
Enerchina		
— Interest received therefrom	152	4,456
— Office expenses received therefrom	855	788

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.

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

Option type	Outstanding at beginning of year	Granted during the year	Number of share options			Lapsed during the year	Outstanding at end of 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		
For the year ended							
31 December 2004	<u>35,150,000</u>	<u>25,400,000</u>	<u>(4,300,000)</u>	<u>11,250,000</u>	<u>(35,050,000)</u>	<u>(1,200,000)</u>	<u>31,250,000</u>
For the year ended							
31 December 2003	<u>48,371,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(10,571,000)</u>	<u>(2,650,000)</u>	<u>35,150,000</u>

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

Option type	Outstanding at beginning of year	Granted during the year	Number of share options			Lapsed during the year	Outstanding at end of 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		
For the year ended							
31 December 2004	<u>27,800,000</u>	<u>—</u>	<u>—</u>	<u>5,560,000</u>	<u>(26,960,000)</u>	<u>—</u>	<u>6,400,000</u>
For the year ended							
31 December 2003	<u>33,850,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(6,050,000)</u>	<u>—</u>	<u>27,800,000</u>

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

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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	<u>24,850,000</u>	<u>—</u>
				<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
	HK\$'000	HK\$'000
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
	HK\$'000	HK\$'000
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
	HK\$'000	HK\$'000
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
	HK\$'000	HK\$'000
Within one year	9,144	336
In the second to fifth year inclusive	35,601	540
Over five years	<u>90,916</u>	<u>306</u>
	<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.

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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
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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	<u>14,518</u>	<u>18,719</u>	<u>—</u>	<u>—</u>
	<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
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
Smart Orient Investments Limited	BVI	US\$1	100%	—	Investment holding

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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	
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
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. 南京百江液化化氣有限公司	PRC — Sino-foreign equity joint venture	RMB50,000,000	—	32.14%	Wholesaling and retailing of LP Gas

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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	
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
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

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FINANCIAL INFORMATION RELATING TO THE GROUP

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	
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
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

APPENDIX I

FINANCIAL INFORMATION RELATING TO THE GROUP

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	
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.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

(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 Group's Annual Report for the year ended 31 December 2003.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Turnover	4	1,815,356	1,525,406
Cost of sales		<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>778,050</u>	<u>294,429</u>
Dividends	12	<u>114,736</u>	<u>55,483</u>
		HK cents	HK cents
Earnings per share	13		
Basic		<u>41.72</u>	<u>16.17</u>
Diluted		<u>40.81</u>	<u>15.40</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	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		<u>1,309,473</u>	<u>470,641</u>
		<u>3,741,641</u>	<u>2,687,197</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
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	<u>669,056</u>	<u>14,599</u>
		<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	<u>—</u>	<u>(77,000)</u>
		<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><u>2,333,675</u></u>	<u><u>1,579,216</u></u>
Capital and reserves			
Share capital	29	191,104	184,944
Reserves	30	<u>2,142,571</u>	<u>1,394,272</u>
		<u><u>2,333,675</u></u>	<u><u>1,579,216</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

BALANCE SHEET

At 31 December 2003

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2003

	Share capital	Share premium account	Properties revaluation account	Translation reserve	Goodwill reserve	General reserve	Capital reserve	Contributed surplus	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note 30)									
At 1 January 2002	167,200	278,653	19,462	(5,710)	(5,920)	57,722	858	368,262	395,233	1,275,760
Exchange rate adjustment not recognised in the income statement	—	—	—	(211)	—	—	—	—	—	(211)
Realised on disposal of a subsidiary	—	—	(10,611)	(294)	8,511	(3,821)	(77)	(480)	—	(6,772)
Shares issued at premium	17,744	53,749	—	—	—	—	—	—	—	71,493
Transfer from profit and loss account	—	—	—	—	—	6,130	—	—	(6,130)	—
Profit for the year	—	—	—	—	—	—	—	—	294,429	294,429
Dividend	—	—	—	—	—	—	—	—	(55,483)	(55,483)
At 31 December 2002	184,944	332,402	8,851	(6,215)	2,591	60,031	781	367,782	628,049	1,579,216
Exchange rate adjustment not recognised in the income statement	—	—	—	(724)	—	—	—	—	—	(724)
Shares issued at premium	6,160	38,457	—	—	—	—	—	—	—	44,617
Addition during the year	—	—	—	122	—	483	—	—	—	605
Realised on disposal of subsidiaries	—	—	(64)	(19)	—	(75)	32	—	—	(126)
Realised on partial disposal of a subsidiary	—	—	(994)	260	81	(878)	(301)	—	—	(1,832)
Realised on disposal of associates	—	—	(5,323)	(309)	—	(3,165)	(58)	—	—	(8,855)
Transfer from profit and loss account	—	—	—	—	—	958	—	—	(958)	—
Profit for the year	—	—	—	—	—	—	—	—	778,050	778,050
Dividend	—	—	—	—	—	—	—	—	(57,276)	(57,276)
At 31 December 2003	<u>191,104</u>	<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>2,333,675</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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	<u>10,033</u>	<u>2,203</u>
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	<u>76,472</u>	<u>(90,304)</u>
Cash used in operations	132,172	108,489
Interest paid	(41,480)	(43,512)
Overseas tax paid	<u>(15,322)</u>	<u>(15,749)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>75,370</u>	<u>49,228</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

		2003	2002
	Notes	HK\$'000	HK\$'000
INVESTING ACTIVITIES			
Interest received		12,552	9,739
Dividend received		647	360
Purchase of property, plant and equipment		(206,042)	(195,568)
Proceeds from sale of property, plant and equipment		7,255	2,676
Investment in an associate		(112,056)	(29,707)
Purchase of intangible asset		(10,035)	—
Purchase of investments in securities		(80,145)	(136,438)
Redemption of PRC bonds		187	—
Redemption of convertible bonds		66,000	—
Proceeds from disposal of other investments		10,913	1,568
Repayment from an associate		159,773	—
Repayment of (advances to) minority shareholders		30,030	(35,692)
Disposal of subsidiaries	31	14,842	79,556
Acquisition of an associate		—	(81,800)
Disposal of associates		93,545	—
Net cash outflow in respect of purchase of a subsidiary	32	(15,173)	(33,322)
Net cash outflow in respect of partial acquisition of a subsidiary		(994)	—
Net cash inflow in respect of partial disposal of subsidiaries		<u>514,409</u>	<u>124,551</u>
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		<u>23,792</u>	<u>49,563</u>
NET CASH ACTIVITIES FROM FINANCING ACTIVITIES		<u>277,754</u>	<u>150,263</u>

APPENDIX I

FINANCIAL INFORMATION RELATING TO THE GROUP

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
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	<u>—</u>	<u>(211)</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	<u>1,309,473</u>	<u>470,641</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
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In the current year, the Group has adopted SSAP 12 (Revised) Income Taxes. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

Goodwill

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

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

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

Negative goodwill

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

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

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

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

Recognition of revenue

Development properties

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

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

Income from outright sales of an entire property development project is recognised upon execution of the sales 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).

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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

INCOME STATEMENT

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

BALANCE SHEET

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

OTHER INFORMATION

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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

INCOME STATEMENT

	Continuing operations			Discontinuing operation		
	Property development	Gas fuel business	Others	Electricity supply	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER						
External sales	311,997	1,150,322	22,613	40,474	—	1,525,406
Inter-segment sales	—	—	9,542	—	(9,542)	—
	<u>311,997</u>	<u>1,150,322</u>	<u>32,155</u>	<u>40,474</u>	<u>(9,542)</u>	<u>1,525,406</u>
Inter-segment sales are charged at prevailing market prices.						
RESULT						
Segment result	<u>31,556</u>	<u>184,129</u>	<u>4,998</u>	<u>2,180</u>	<u>—</u>	222,863
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>

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

OTHER INFORMATION

	Continuing operations			Discontinuing operation	Consolidated
	Property development	Gas fuel business	Others	Electricity supply	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	5,264	175,842	9,391	82,800	273,297
Goodwill additions	—	2,461	54,482	—	56,943
Depreciation and amortisation	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 HK\$'000	2002 HK\$'000
Interest on bank deposits	13,372	11,336
Dividend income	647	360
Gain on disposal of investment in securities	—	592
Net exchange gain	1,162	918
Release of negative goodwill	2,244	1,855
Rental income under operating leases	2,608	2,195
Unrealised holding gain on investment in securities	—	623
Sundry	5,478	3,074
	<u>25,511</u>	<u>20,953</u>

6. PROFIT FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit from operations is arrived at after charging:		
Auditors' remuneration		
Provided for the year	2,170	2,040
Under(over)provision in prior year	<u>175</u>	<u>(332)</u>
	<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
	HK\$'000	HK\$'000
Fees	300	238
Salaries and other emoluments	8,303	8,417
Contributions to retirement benefits scheme	125	125
Discretionary bonuses	900	700
	<u>9,628</u>	<u>9,480</u>

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

The emoluments of the directors were within the following bands:

	Number of individuals	
	2003	2002
Emolument band (Hong Kong Dollars)		
\$Nil — \$1,000,000	4	4
\$1,000,001 — \$1,500,000	1	—
\$1,500,001 — \$2,000,000	1	3
\$2,000,001 — \$2,500,000	1	—
\$4,000,001 — \$4,500,000	<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
	HK\$'000	HK\$'000
Salaries and allowances	707	1,171
Contributions to retirement benefits scheme	<u>19</u>	<u>—</u>
	<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 HK\$'000	2002 HK\$'000
Interest on		
Bank loans and other borrowing wholly repayable within five years	37,790	41,522
Convertible bonds	5,408	—
Convertible notes	484	1,248
	<u> </u>	<u> </u>
Total borrowing cost	43,682	42,770
Less: Amount capitalised to properties under development for sale	(33,327)	(38,949)
	<u> </u>	<u> </u>
	10,355	3,821
Bank charges	275	244
Handling charge	—	285
	<u> </u>	<u> </u>
	<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 HK\$'000	2002 HK\$'000
Gain on partial disposal of interests in subsidiaries	532,803	111,860
(Loss) gain on disposal of subsidiaries (<i>see note 31</i>)	<u>(13,569)</u>	<u>84,048</u>
	<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	<u>(1,144)</u>
Profit before taxation	1,215
Tax Credit	<u>3</u>
Profit after taxation	<u><u>1,218</u></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><u>397,133</u></u>
Total liabilities	<u><u>(398,263)</u></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.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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

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

12. DIVIDENDS

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

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

13. EARNINGS PER SHARE

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

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

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.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

14. PROPERTY, PLANT AND EQUIPMENT

	Medium term leasehold land and buildings in the PRC <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Gas pipelines <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	—
	<u>147,093</u>	<u>54,053</u>	<u>155,032</u>	<u>42,429</u>	<u>34,957</u>	<u>346,481</u>	<u>780,045</u>
At 31 December 2003							
Comprising:							
At cost	—	54,053	155,032	42,429	34,957	346,481	632,952
At valuation 2003	<u>147,093</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>147,093</u>
	<u>147,093</u>	<u>54,053</u>	<u>155,032</u>	<u>42,429</u>	<u>34,957</u>	<u>346,481</u>	<u>780,045</u>
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	<u>(3,952)</u>	<u>—</u>	<u>(10)</u>	<u>(406)</u>	<u>(3,435)</u>	<u>—</u>	<u>(7,803)</u>
	<u>23,973</u>	<u>—</u>	<u>36,658</u>	<u>24,334</u>	<u>14,774</u>	<u>11,903</u>	<u>111,642</u>
At 31 December 2003							
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. 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 of HK\$78,160,000 (2002: HK\$66,322,000).

APPENDIX I

FINANCIAL INFORMATION RELATING TO THE GROUP

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

	Furniture, fixtures and equipment <i>HK\$'000</i>
THE COMPANY	
COST	
At 1 January 2003	2,409
Additions	59
Disposals	(1,503)
At 31 December 2003	965
DEPRECIATION	
At 1 January 2003	1,050
Provided for the year	412
Eliminated on disposals	(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 <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	9,662

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

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

16. GOODWILL

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

The amortisation period adopted for goodwill is 20 years.

17. NEGATIVE GOODWILL

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

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	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	670,174	670,174
Amounts due from subsidiaries	<u>235,323</u>	<u>208,159</u>
	<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.

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FINANCIAL INFORMATION RELATING TO THE GROUP

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

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

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FINANCIAL INFORMATION RELATING TO THE GROUP

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
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
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.	PRC — Limited liability company	RMB8,000,000	90%	The provision of natural gas and related services and gas pipeline construction
深圳湖心島實業有限公司	PRC — Sino-foreign equity joint venture	RMB10,000,000	82%	Property development

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FINANCIAL INFORMATION RELATING TO THE GROUP

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
Shenzhen China Overseas-Sinolink Property Management Co., Ltd.	PRC — Limited liability company	RMB1,500,000	100%	Property management
Shenzhen Mangrove West Coast Property Development Co. Ltd.	PRC — Sino-foreign equity joint venture	RMB10,000,000	100%	Property development
Shenzhen Sinolink Enterprises Co., Ltd.	PRC — Foreign equity joint venture	RMB375,000,000	80%	Property development
Shenzhen Sinolink Property Management Co., Ltd.	PRC — Foreign equity joint venture	RMB2,000,000	85%	Property management
Singkong Investments Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Investment holding
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
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

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FINANCIAL INFORMATION RELATING TO THE GROUP

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
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.

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FINANCIAL INFORMATION RELATING TO THE GROUP

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	<u>—</u>	<u>54,482</u>	<u>(22,759)</u>	<u>—</u>
At end of the year	<u>54,482</u>	<u>54,482</u>	<u>(22,579)</u>	<u>—</u>
AMORTISATION				
At beginning of the year	1,816	—	—	—
Provided for the year	2,724	1,816	—	—
Released to income in the year	<u>—</u>	<u>—</u>	<u>948</u>	<u>—</u>
At end of the year	<u>4,540</u>	<u>1,816</u>	<u>948</u>	<u>—</u>
NET BOOK VALUES				
At end of the year	<u>49,942</u>	<u>52,666</u>	<u>(21,811)</u>	<u>—</u>
At beginning of the year	<u>52,666</u>	<u>—</u>	<u>—</u>	<u>—</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 arised. 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	<u>—</u>	<u>—</u>	<u>83,917</u>	<u>1,949</u>	<u>—</u>	<u>—</u>	<u>83,917</u>	<u>1,949</u>
	<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	<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	<u>50,000</u>	<u>116,000</u>	<u>83,917</u>	<u>1,949</u>	<u>—</u>	<u>—</u>	<u>133,917</u>	<u>117,949</u>
	<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	<u>50,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>126</u>	<u>31,455</u>	<u>50,126</u>	<u>31,455</u>
	<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>

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	Held to maturity debt securities		Investment securities		Total	
	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	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,512</u>	<u>—</u>	<u>5,512</u>
	<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	<u>50,000</u>	<u>—</u>	<u>—</u>	<u>5,512</u>	<u>50,000</u>	<u>5,512</u>
	<u>50,000</u>	<u>116,000</u>	<u>—</u>	<u>5,512</u>	<u>50,000</u>	<u>121,512</u>

21. STOCK OF PROPERTIES

	THE GROUP	
	2003 HK\$'000	2002 HK\$'000
Properties under development for sale		
Cost plus attributable profit less foreseeable losses	1,478,668	1,383,645
Less: Progress payments received	<u>—</u>	<u>(1,929)</u>
	1,478,668	1,381,716
Stock of unsold properties	<u>161,326</u>	<u>262,638</u>
	<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	<u>12,975</u>	<u>12,239</u>
	<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
	HK\$'000	HK\$'000
Aged:		
0 to 90 days	136,789	96,856
91 to 180 days	47,109	5,357
181 to 360 days	3,743	4,784
over 360 days	<u>5,535</u>	<u>7,330</u>
	193,176	114,327
Less: Non-current portion	<u>—</u>	<u>(1,269)</u>
	<u>193,176</u>	<u>113,058</u>

24. AMOUNT DUE FROM AN ASSOCIATE

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

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
	HK\$'000	HK\$'000
Aged:		
0 to 90 days	108,256	140,461
91 to 180 days	2,203	121
181 to 360 days	1,836	804
over 360 days	<u>13,940</u>	<u>22,672</u>
	<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	<u>374,635</u>	<u>904,480</u>	<u>—</u>	<u>81,600</u>
	1,234,711	919,079	—	81,600
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 HK\$'000	2002 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 (<i>note 35</i>)	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

THE GROUP

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

	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	<u>—</u>	<u>—</u>	<u>(55,483)</u>	<u>(55,483)</u>
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	<u>—</u>	<u>—</u>	<u>(57,276)</u>	<u>(57,276)</u>
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	<u>(4,194)</u>
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:

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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Contributed surplus	572,173	572,173
Retained earnings	<u>47,982</u>	<u>59,234</u>
	<u><u>620,155</u></u>	<u><u>631,407</u></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 <i>HK\$'000</i>	2002 <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	<u>(178)</u>	<u>(31,238)</u>
	28,558	(1,130)

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

	2003 HK\$'000	2002 HK\$'000
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	<u>—</u>	<u>(480)</u>
	28,432	(7,902)
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	<u>—</u>	<u>197,000</u>
	<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
	HK\$'000	HK\$'000
Net assets acquired:		
Property, plant and equipment	82,854	77,729
Other investments	2,010	344
Inventories	2,092	126
Trade receivables	288	782
Other receivables, deposits and prepayments	24,188	1,386
Bank and cash balances	543	1,033
Trade payables	(2,077)	(3,119)
Other payables and accruals	(51,634)	(34,960)
Short term borrowings	(4,902)	(660)
Long term borrowings	(25,678)	—
Minority interests	(1,273)	(1,282)
	26,411	41,379
Goodwill	—	2,461
Negative goodwill	(6,954)	(9,485)
Total consideration	19,457	34,355
Satisfied by:		
Cash paid	15,716	34,355
Payable	3,741	—
	19,457	34,355
Net cash outflow arising on acquisition:		
Cash consideration	(15,716)	(34,355)
Bank balances and cash acquired	543	1,033
	(15,173)	(33,322)

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

33. MAJOR NON-CASH TRANSACTIONS

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

34. RELATED PARTY TRANSACTIONS

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

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

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.

APPENDIX I

FINANCIAL INFORMATION RELATING TO THE GROUP

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	<u>—</u>	<u>(44,000,000)</u>
	<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

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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

	Expiry date	Exercise price	2003	2002
“in the money”	03.09.2002 to 01.01.2004	HK\$0.41 to HK\$0.50	—	330,000
	01.09.2004 to 01.01.2005	HK\$0.33 to HK\$0.67	20,700,000	—
	01.01.2005 to 01.06.2006	HK\$0.33 to HK\$0.41	—	12,441,000
	03.04.2005 to 01.12.2005	HK\$0.67	14,450,000	—
“out of money”	01.09.2004 to 23.04.2006	HK\$0.67 to HK\$0.81	—	35,600,000
			<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 percent. of the aggregate staff wages to certain defined contribution retirement benefits schemes for the Group’s employees in the PRC.

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

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Group contributions to staff provident fund	5,495	5,925
Forfeited contributions utilised	—	(33)
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
	HK\$'000	HK\$'000
Guarantees given to banks as security for the mortgage		
Loans arranged for the purchasers of the Group's properties	<u>17,256</u>	<u>254,546</u>
Corporate guarantee given to a bank to secure bank borrowings granted to an associate	<u>—</u>	<u>279,701</u>

	THE COMPANY	
	2003	2002
	HK\$'000	HK\$'000
Corporate guarantee given to a bank to secure general banking facilities granted to a subsidiary	<u>514,500</u>	<u>514,500</u>

38. CAPITAL COMMITMENTS

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

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

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
	HK\$'000	HK\$'000
Within one year	336	225
In the second to fifth year inclusive	540	2
Over five years	<u>306</u>	<u>—</u>
	<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
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	5,712	7,739	1,105	1,560
In the second to fifth years inclusive	12,774	11,634	—	845
Over five years	<u>18,719</u>	<u>20,724</u>	<u>—</u>	<u>—</u>
	<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%.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE GROUP

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%.

(A) UNAUDITED FINANCIAL INFORMATION OF THE GROUP

RGAP was a limited liability international business company incorporated in the BVI on 5 November 2004. It was wholly-owned and controlled by RSI. RGAP was effectively a newly established special-purpose entity and had at no point since its incorporation until the Closing Date engaged in any business or trading. Based on the information available to us, it had no significant assets or liabilities, and had not incurred any expenditure or earned any revenue.

The sole asset of RGAP was its 100% equity interest in SRL, which is an international society with restricted liability formed under the laws of Barbados on 17 February 2004. Based on the information available to us, SRL had at no point since its incorporation until the Closing Date engaged in any business or trading, other than conducting negotiations and related preparations to enter into the Relocation Contract, the Land Grant Contract and the CJV Contract. It had no significant assets or liabilities and had not incurred any expenditure or earned any revenue.

The CJV Contract provided for the establishment of the CJV as a Sino-foreign cooperative joint venture company. The CJV Contract also provides that NHP and SRL will assign the rights and Relocation Contract to the CJV upon its legal establishment following receipt of a valid business licence from the relevant governmental authority. The CJV had not been established and therefore had not engaged in any business or trading. It had no significant assets or liabilities and it had not incurred any expenditure or earned any revenue.

No audited financial statements have been prepared for either RGAP or SRL. The management accounts for both RGAP and SRL disclose no operating activity by either of them during the relevant periods. RGAP has net assets of US\$1,000, which represents its investment in SRL and SRL has net assets of US\$1,000, which represents the cash on hand. The Investment Agreement also includes warranties given by the Rockefeller Group to the effect that each of RGAP and SRL, as at the Closing Date: (a) had not engaged in any business or trading activities whatsoever (except being engaged in the business of a holding company); and (b) owned no material assets of any description (except, in the case of RGAP, 100% of the equity interest in SRL and except, in the case of SRL, 90.96% of the equity interest in the Project Company upon its establishment as a CJV).

The Company considers provision of the information in Rule 14.67 is therefore not relevant to its Shareholders' assessment of the transaction. The Transaction is, in effect, the formation and funding of a new entity to carry out the Project. The announcement of the Project issued on 30 November 2005 was drawn up on this basis and therefore, no accountants' report on the Investment was drawn up in this Circular.

(B) INDEBTEDNESS

At the close of business on 31 October 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\$3,605.1 million, comprising secured bank borrowings of approximately HK\$572.6 million, secured other loans of approximately HK\$9.6 million, unsecured bank borrowings of approximately HK\$1,034.9 million, unsecured other loans of approximately HK\$19.9 million, amounts due to minority shareholders of approximately HK\$17.6 million, exchangeable note of approximately HK\$62.5 million, convertible bonds due 2008 with carrying amount of approximately HK\$360.3 million and senior notes due 2011 with carrying amount of approximately HK\$1,527.7 million.

At the close of business on 31 October 2005, the Group had guarantees given to banks for the mortgage loans arranged for the purchasers of the Group's properties amounting to approximately HK\$713.7 million. A supplier filed an arbitration in August 2003 against Shenzhen Fuhuade Electric Power Co., Limited, a subsidiary of the Company, claiming for additional contract price in the amount of HK\$28 million for additional work involved during installation of new generating units. The arbitration is still in progress and the outcome of such cannot be ascertained. No provision for the amount claimed has been made by the Group as at 31 October 2005.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans of 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 at the close of business on 31 October 2005.

Foreign currency amounts have been translated at the approximate exchange rates prevailing at the close of business on 31 October 2005.

(C) WORKING CAPITAL

The Directors are of the opinion that, taking into account the banking facilities in place and the internal resources of the Group, the Group will have sufficient working capital for its present requirements for the next 12 months from the date of this circular.



10th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong

22 December 2005

The Directors
Sinolink Worldwide Holdings Limited
28th Floor
Vicwood Plaza
Hong Kong

Dear Sirs,

Re: Phase 1, Waitanyuan, Lot 174, Huangpu District, Shanghai

We refer to your instructions for us to value the interest in the captioned property (referred to as the “Land”) being acquired by or on behalf of Shanghai Bund de Rockefeller Group Master Development Co., Ltd. in the People’s Republic of China (the “PRC”). We confirm that we have carried out site inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing Sinolink Worldwide Holdings Limited (referred to as the “Company”) with our opinion of the market value of the Land as at 30 November 2005 (the “Date of Valuation”).

Our valuation of the Land is our opinion of the market value which we would define as intended to mean the estimated amount for which a Land should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Unless otherwise stated, our valuation have been made on the assumption that the owner sells the Land on the market without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could serve to affect the value of the Land. In addition, no forced sale situation in any manner is assumed in our valuations.

We have relied on the information given by the Company and the opinion of its PRC legal adviser, Haiwen & Partners, regarding the title to the Land in the PRC and the interest of the Company in the Land in the PRC. The status of titles and grant of major approvals and licences, in accordance with the information provided by the Company are set out in the notes in the valuation certificate.

In valuing the Land, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market. We have valued the Land as a whole.

The Land valuation complies with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Valuation Standards on Properties (First Edition 2005) of The Hong Kong Institute of Surveyors.

In respect of the Land in the PRC, we have been provided with extracts of documents in relation to the title to the Land. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a very considerable extent on the information given by the Company and its legal adviser on PRC law and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, scheduled completion date of development, identification of the Land, development schemes, site and floor areas, interest attributable to the Company and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificate are based on information provided to us and are therefore only approximations. We have no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuation. We were also advised by the Company that no material facts have been omitted from the information provided.

We have inspected the exterior and, wherever possible, the interior of the Land. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. for any development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the Land and we have assumed that the areas shown on the documents handed to us are correct.

No allowance has been made in our valuations of the Land for any charges, mortgages or amounts owing on the Land nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Land is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

Unless otherwise stated, all sums stated in our valuation certificate are in Renminbi, the official currency of the PRC.

The valuation certificate is attached.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Philip CY Tsang
Registered Professional Surveyor (GP)
China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S.
Senior Associate Director

Note: Mr. Philip CY Tsang is a registered professional surveyor with about 13 years' experience of property valuation in the PRC.

VALUATION CERTIFICATE

Property held for development

Property interest	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2005																									
Phase 1, Waitanyuan, Lot 174, Huangpu District, Shanghai	The Land, Phase I, Waitanyuan, is planned to be developed on 7 contiguous lots of land with a total site area of approximately 16,882 sq.m. (181,718 sq.ft.).	The Land is currently erected with various buildings pending for resettlement.	RMB1,505,000,000 (Please see Note 1)																									
	When Completed, the proposed development will be an upscale mixed-user neighbourhood. There will be restaurants, cafes, clubs, other retail outlets, cultural venues, offices, apartments and hotel facilities.	According to the Relocation Contract and its Supplementary Agreement, the existing occupiers of the Land will be resettled and relocated away from the Land. Vacant possession of the Land will be handed over with those unwanted buildings demolished, whilst the protected and preserved buildings will be left for subsequent refurbishment by the grantee. (Please see Notes 2 and 3 on the following pages).																										
	The Land has the planned distribution of the gross floor areas according to different uses as follows:																											
	<table><tr><th>Planned uses</th><th colspan="2">Approximate Gross Floor Area</th></tr><tr><td></td><th>sq.m.</th><th>sq.ft.</th></tr><tr><td>Retail</td><td>24,639</td><td>265,214</td></tr><tr><td>Office</td><td>3,226</td><td>34,725</td></tr><tr><td>Hotel</td><td>17,897</td><td>192,643</td></tr><tr><td>Culture</td><td>8,606</td><td>92,635</td></tr><tr><td>Service Apartment</td><td>11,869</td><td>127,758</td></tr><tr><td>Apartment</td><td><u>27,546</u></td><td><u>296,505</u></td></tr><tr><td>Total</td><td><u>93,783</u></td><td><u>1,009,480</u></td></tr></table>	Planned uses		Approximate Gross Floor Area			sq.m.	sq.ft.	Retail	24,639	265,214	Office	3,226	34,725	Hotel	17,897	192,643	Culture	8,606	92,635	Service Apartment	11,869	127,758	Apartment	<u>27,546</u>	<u>296,505</u>	Total	<u>93,783</u>
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Total	<u>93,783</u>	<u>1,009,480</u>																										
	Basement car park is also planned.																											
	The land use rights of the Land have been granted for respective terms of 40 years for commercial use, 50 years for office use and 70 years for residential use.																											

Notes:

(1) The relevant Realty Title Certificate has not been issued. We have prepared the capital value of the Land in existing state as at 30 November 2005 assuming all relevant title certificates have been obtained.

(2) According to Land Grant Contract No. (2005) 37 entered into between Huangpu District Housing and Land Administrative Bureau (Party A) “the grantor” and Rockefeller Group WTY-I Development SRL and Shanghai New Huangpu (Group) Company Limited (Party B) “the grantee” on 30 November 2005. Party A has agreed to grant the land use rights of the Land to Party B as follows:-

- (i)

Location :

Lot 174, Huangpu District, Shanghai
- (ii)

Total Site Area :

16,882 sq.m.
- (iii)

Use :

Commercial, financial, cultural, hotel/apartment, office, composite and residential use
- (iv)

Gross Floor Area :

Not exceeding 94,080sq.m.
- (v)

Land Grant Fee :

RMB411,099,494.40
- (vi)

Payment Terms :

The first payment should be settled before 10 December 2005 and the remaining balance should be settled before 29 January 2006.
- (vii)

Land Use Term :

40 years for commercial use, 50 years for office use and 70 years for residential use
- (viii)

Land Use Fee :

RMB1 per sq.m. of site area per annum
- (ix)

Construction Period:

(a)

For redevelopment portion —

Party B should commence construction works before 30 June 2007 and the completion date of the proposed development should not later than 31 December 2009.

(b)

For Protected and preserved buildings —

To carry out safety inspection within 6 months of handing-over and to complete the renovation works within 30 months.
- (x)

Zoning Limit :

The Shanghai Municipal People’s Government shall reserve the right in connection with the urban planning and design of the site.
- (xi)

Requirements for Protected and Preserved Buildings:

Party B shall be responsible for the renovation of any buildings on the site granted hereunder that are classified as protected buildings in accordance with the requirements of the Protection Regulations. No transfer or lease of any part of these buildings can be made until the safety appraisal and protection and renovation works on the buildings are done, and any transfer of the buildings shall be made in whole house. Both transferor and transferee shall also perform their respective obligations of giving notification and undertaking.
- (xii)

Requirements :

During the term of the use of the site, Party B shall ensure that all of the new buildings, protected and preserved buildings and their related facilities constructed or to be constructed on the site are in good and usable condition, and shall bear all expenses in relation thereto.

Party B is establishing a Joint Venture Company, please see Note (4) on next page.

(3) According to Relocation Contract and its Supplementary Agreement of Lot 174 of Huangpu District, Shanghai entered into between Shanghai Rockefeller Group d’ Bund Master Development Company Limited (Party A) as represented by its shareholders as stated in Note 4 below and Shanghai New Huangpu (Group) Company Limited (Party B) on 30 November 2005, Party A had agreed to entrust Party B to undertake the demolition and resettlement works and the provision of public utilities for the lots as follows:

(i) Commission Requirements:

Party A entrusts Party B to demolish the buildings on the site according to the zoning approval; level up the land; compensate the residents and companies in the site scope and perform the obligations of the expenses for the remove and demolition.

Party A entrusts Party B to resettle the Protected and Preservation Building within the site. Party B should compensate the residents and companies in Protected and Preservation Buildings within the site and perform the obligations of the expenses for the removal.

(ii) Cost for Demolition and Remove & Payment Time

- (a) Relocation Cost: RMB959,232,153.60
- (b) Payment term: The first payment should be settled within 15 days and the remaining balance should be settled by stages within 270 days after the contract became effective.

(iii) Finished Time of Demolition and Remove & Check and Accept:

Party B should finish all demolition, remove and resettlement before 30 September 2006, then deliver to Party A.

(4) According to the CJV Contract of Shanghai Rockefeller Group d’ Bund Master Development Company Limited entered into between Shanghai New Huangpu (Group) Company Limited (Party A) and Rockefeller Group WTY-I Development SRL (Party B) on 30 November 2005, Party A and Party B will establish Shanghai Rockefeller Group d’ Bund Master Development Company Limited as a Sino-foreign cooperative joint venture to invest and cooperate in respect of the development of the Phase I, Waitanyuan as follows:

- (i) Registered Capital : US\$83,000,000 (Party A 9.04 % - US7,500,000; Party B 90.96% - US\$75,500,000)
- (ii) Profit Sharing :
Party A shall receive an annually fixed dividend in the amount of 10% of the capital contribution actually made by Party A.

Party B would be entitled to the remaining profit.
- (iii) Term of the Company : The term of the company shall commence on the Establishment Date, which is the date on which the Business License of the company is issued, and continue for a period of 10 years.

(5) The opinion of the Company’s legal adviser on PRC law states, inter alia, that:

- (i) The Land Grant Contract as stated in Note 2 above and the Relocation Contract and its Supplementary Agreement as stated in Note 3 above are legal and valid; the first payment of land grant fee and relocation cost have been paid;
- (ii) The grantee of the land can transfer, lease or mortgage the land use rights according to the relevant PRC laws and the terms and conditions of the Land Grant Contract;

- (iii) The CJV Contract as stated in Note 4 above is legal and is pending for the approval of the relevant PRC authorities;
- (iv) Upon obtaining the approval of the CJV Contract and the completion of all requirements under PRC law in connection with the establishment of the Joint Venture Company, the original grantee and grantor of the Land Grant Contract and the Joint Venture Company will enter into a supplementary contract to make the Joint Venture Company the grantee instead of the original grantee.
- (6) The status of the title and grant of major approvals and licences in accordance with the PRC legal opinion and the information provided by the Company is as follows:

Realty Title Certificate	No
Land Grant Contract	Yes
Red-line Drawing	Yes
Relocation Contract and its Supplementary Agreement	Yes
CJV Contract	Yes
Business Licence	No

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 herein misleading.

2. DISCLOSURE OF DIRECTORS’ INTERESTS

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which 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 and short positions which the Directors and chief executives were deemed or taken to have under such provisions of the SFO); or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (“Model Code”) were as follows:

Directors’ 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 as at the Latest Practicable Date
		Family interest	Corporate interest				
Chen Wei	Beneficial owner	—	—	—	12,000,000	12,000,000	0.46%
Law Sze Lai	Beneficial owner	—	—	—	8,000,000	8,000,000	0.30%
Ou Yaping	Joint interest and interest of controlled corporation	6,475,920	1,374,222,000 (Note)	1,380,697,920	—	1,380,697,920	52.40%
Davin A. Mackenzie	Beneficial owner	—	—	—	2,000,000	2,000,000	0.08%
Tang Yui Man Francis	Beneficial owner	—	—	—	19,000,000	19,000,000	0.72%
Xin Luo Lin	Beneficial owner	—	—	—	2,000,000	2,000,000	0.08%

Note: These 1,374,222,000 Shares are held by Asia Pacific Promotion, a company incorporated in the BVI, which is legally and beneficially owned by Mr. Ou Yaping, the chairman of the Company.

Directors’ interests or short positions in shares and underlying shares of associated corporations

			Approximate percentage of the issued share capital of associated corporations as at the Latest Practicable Date			
Name of Directors	Name of associated corporations	Capacity	Total interest in shares long positions/ (short positions)	Interest in underlying shares pursuant to share options	Aggregate interest/ (short positions)	
Chen Wei	Panva Gas	Beneficial owner	2,160,000	8,040,000	10,200,000	1.08%
Law Sze Lai	Enerchina	Beneficial owner	510,000	—	510,000	0.01%
Davin A. Mackenzie	Enerchina	Beneficial owner	—	2,288,000	2,288,000	0.05%
Ou Yaping	Panva Gas	Interest of controlled corporation and beneficial owner	575,806,587 (Note 1)	3,600,000	579,406,587	61.49%
			(19,230,769) (Note 2)	—	(19,230,769)	(2.04%)
	Enerchina	Interest of controlled corporation and beneficial owner	3,617,895,635 (Note 3)	2,288,000	3,620,183,635	74.83%
	Asia Pacific Promotion	Beneficial owner	2	—	2	100.00%
Tang Yui Man Francis	Panva Gas	Beneficial owner	3,440,000	3,960,000	7,400,000	0.79%
	Enerchina	Beneficial owner	—	22,880,000	22,880,000	0.47%
Xin Luo Lin	Enerchina	Beneficial owner	—	2,288,000	2,288,000	0.05%

Notes:

1. The 575,806,587 shares in Panva Gas represent (i) 401,233,462 shares held by Kenson Investment Limited (“Kenson”) and 169,491,525 shares held by Supreme All Investments Limited (“Supreme All”), both wholly-owned by Enerchina; and (ii) 5,081,600 shares held by Asia Pacific Promotion. As approximately 74.79% of the issued share capital of Enerchina is held by the Company, approximately 52.15% interests of the Company are held by Asia Pacific Promotion and Mr. Ou is the sole beneficial owner of Asia Pacific Promotion, Mr. Ou is deemed under the SFO to be interested in such 575,806,587 shares.
2. Kenson is under an obligation to transfer 19,230,769 shares to Hutchison International Limited (“Hutchison International”) upon full exchange of a HK\$62,500,000 exchangeable redeemable note (the “Note”) held by Hutchison International in accordance with the terms and conditions of the Note.
3. The 3,617,895,635 shares in Enerchina represent the aggregate of: (i) the 3,393,905,282 shares held by the Company (Mr. Ou Yaping through his wholly-owned company, Asia Pacific Promotion, holds approximately 52.15% 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 223,990,353 shares held by Smart Orient Investments Limited (“Smart Orient”). The Company holds 100% of the issued share capital of Smart Orient and is therefore deemed to be interested in such shares in which Smart Orient is interested.

Directors’ rights 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 Directors	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 as at the Latest Practicable Date
Chen Wei	13.01.2005	31.12.2005 - 24.05.2012	1.126	3,600,000	0.14%
	13.01.2005	30.06.2006 - 24.05.2012	1.126	3,600,000	0.14%
	13.01.2005	31.12.2006 - 24.05.2012	1.126	4,800,000	0.18%
Law Sze Lai	13.01.2005	31.12.2005 - 24.05.2012	1.126	2,400,000	0.09%
	13.01.2005	30.06.2006 - 24.05.2012	1.126	2,400,000	0.09%
	13.01.2005	31.12.2006 - 24.05.2012	1.126	3,200,000	0.12%
Davin A. Mackenzie	13.01.2005	31.12.2005 - 24.05.2012	1.126	600,000	0.02%
	13.01.2005	30.06.2006 - 24.05.2012	1.126	600,000	0.02%
	13.01.2005	31.12.2006 - 24.05.2012	1.126	800,000	0.03%
Tang Yui Man Francis	13.01.2005	31.12.2005 - 24.05.2012	1.126	5,700,000	0.22%
	13.01.2005	30.06.2006 - 24.05.2012	1.126	5,700,000	0.22%
	13.01.2005	31.12.2006 - 24.05.2012	1.126	7,600,000	0.29%
Xin Luo Lin	13.01.2005	31.12.2005 - 24.05.2012	1.126	600,000	0.02%
	13.01.2005	30.06.2006 - 24.05.2012	1.126	600,000	0.02%
	13.01.2005	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

						Approximate percentage of the issued share capital of the associated corporation as at the Latest Practicable Date
Name of Directors	Name of associated corporations	Date of grant	Exercise period	Exercise price <i>HK\$</i>	Number of share options held	
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	0.05%
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	0.05%
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	0.47%
Xin Luo Lin	Enerchina	09.06.2004	09.06.2004 - 08.06.2014	0.440	2,288,000	0.05%

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, none of the Directors or chief executives of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executives of the Company, as at the Latest Practicable Date, Company Shareholders (other than Directors or chief executives of the Company) who had interests or short positions 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 which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions of and Short positions in Shares and underlying Shares

		Approximate percentage of the Company's issued share capital as at the Latest Practicable Date	
Name of Shareholders	Capacity	Interest in Shares	Practicable Date
Asia Pacific Promotion	Beneficial owner	1,374,222,000 (Note 1)	52.15%
The Children's Investment Master Fund	Beneficial owner	159,384,000 (Note 2)	6.05%
The Children's Investment Fund Management (UK) LLP	Investment manager	159,384,000 (Note 2)	6.05%
Deutsche Bank Aktiengesellschaft	Holder of security interest in Shares	158,694,000	6.02%
Value Partners Limited	Investment manager	157,032,000 (Note 3)	5.96%
Cheah Cheng Hye	Interest of controlled corporation	157,032,000 (Note 3)	5.96%

Notes:

1. These 1,374,222,000 Shares are held by Asia Pacific Promotion, a company incorporated in the BVI, which is legally and beneficially owned by Mr. Ou Yaping, the chairman of the Company.
2. The Children's Investment Master Fund interested in these 159,384,000 Shares as beneficial owner while The Children's Investment Fund Management (UK) LLP interested these Shares as investment manager.

3. These 157,032,000 Shares are held by Value Partners Limited, a company which is held by 32.77% 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 other members of the Group, or 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 underwriting agreement dated 17 February 2004 entered into between Enerchina and Smart Orient Investments Limited 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;

- (b) the sale and purchase agreement dated 27 August 2004 entered into between Panriver Investments Company Limited, a wholly owned subsidiary of Panva Gas Holdings Limited, 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 Company Limited;
- (c) the conditional purchase agreement dated 16 September 2004 entered into between Panva Gas Holdings Limited, 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 Holdings Limited;
- (d) the disposal agreement dated 16 November 2004 entered into between Kenson Investment Limited and funds under management by Value Partners Limited in respect of the disposal of 48,000,000 existing Panva Gas Holdings Limited shares by Kenson Investment Limited at the price of HK\$3.25 per Panva Gas share;
- (e) the equity transfer agreement dated 16 December 2004 (the “Agreement”) entered into between Xin Hua Control Engineering Co., Ltd., New China Control Systems Limited (“New China”), Enerchina and an independent third party (the “Buyer”) whereby Enerchina shall sell and the Buyer shall purchase the entire equity interest owned by 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;
- (f) the equity transfer agreement dated 23 December 2004 entered into between Panriver Investments Company 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
- (g) the sale and purchase agreement dated 7 April 2005 entered into between the Company and Enerchina in relation to the disposal by the Company of the entire issued share capital of Kenson Investment Limited and the entire issued share capital of Supreme All Investments Limited for a total consideration of HK\$1,753,231,957.10 satisfied by the allotment of 2,540,915,880 shares in Enerchina.

8. LITIGATION

Aside from the arbitration referred to in paragraph (B) Appendix II, 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. QUALIFICATION

The following are the qualifications of the experts who have made statements in this circular:

Name	Qualifications
DTZ Debenham Tie Leung	Registered Professional Surveyors
Haiwen & Partners	Legal advisers on PRC laws

As at the Latest Practicable Date, none of DTZ Debenham Tie Leung or Haiwen & Partners was beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and none had any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. CONSENTS

DTZ Debenham Tie Leung and Haiwen & Partners have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their letters, reports and/or summary of their opinions (as the case may be) and references to their names in the form and context in which they respectively appear herein.

11. 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.

12. 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 HM 11, 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.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the offices of Norton Rose, 38th Floor, Jardine House, 1 Connaught Place, Hong Kong from 22 December 2005 to 6 January 2006 (both days inclusive):

- (a) the Investment Agreement;
- (b) the Option Agreement;
- (c) the memorandum of association and Bye-laws of the Company;
- (d) the annual report and audited accounts of the Company for each of the three years ended 31 December 2004;
- (e) the property valuer's report on the Project site set out in Appendix III;
- (f) the contracts referred to in the section headed "Material Contracts" in paragraph 7 of this appendix;
- (g) all the circulars issued by the Company pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which have been issued since the date of the latest published audited accounts;
- (h) the written consents referred to in the section headed "Consents" in paragraph 10 of this appendix.