

Corporate Information

Board of Directors

Executive directors

Mr. Ou Yaping (*Chairman*)

Mr. Tang Yui Man Francis
(*Chief Executive Officer*)

Mr. Chen Wei

Mr. Law Sze Lai

Independent non-executive directors

Mr. Li Zhi Xiang

Mr. Davin A. Mackenzie

Mr. Xin Luo Lin

Qualified Accountant

Ms. Tiong Check Hiong, Jacqueline

Company Secretary

Mr. Lo Tai On

Registered Office

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Hamilton HM11
Bermuda

Head Office and Principal Place of Business

28th Floor, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong
Telephone : (852) 2851 8811
Fascimile : (852) 2851 0970
Stock Code : 1168
Website : <http://www.sinolinkhk.com>
<http://www.irasia.com/listco/hk/sinolink>
<http://www.panva-gas.com>

Auditors

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

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Hong Kong Branch Share Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712 – 1716, 17th Floor
183 Queen's Road East
Wanchai
Hong Kong

Legal Advisors

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

(*As to Bermuda Law*)
Conyers Dill & Pearman

(*As to the PRC Law*)
Haiwen & Partners

Principal Bankers

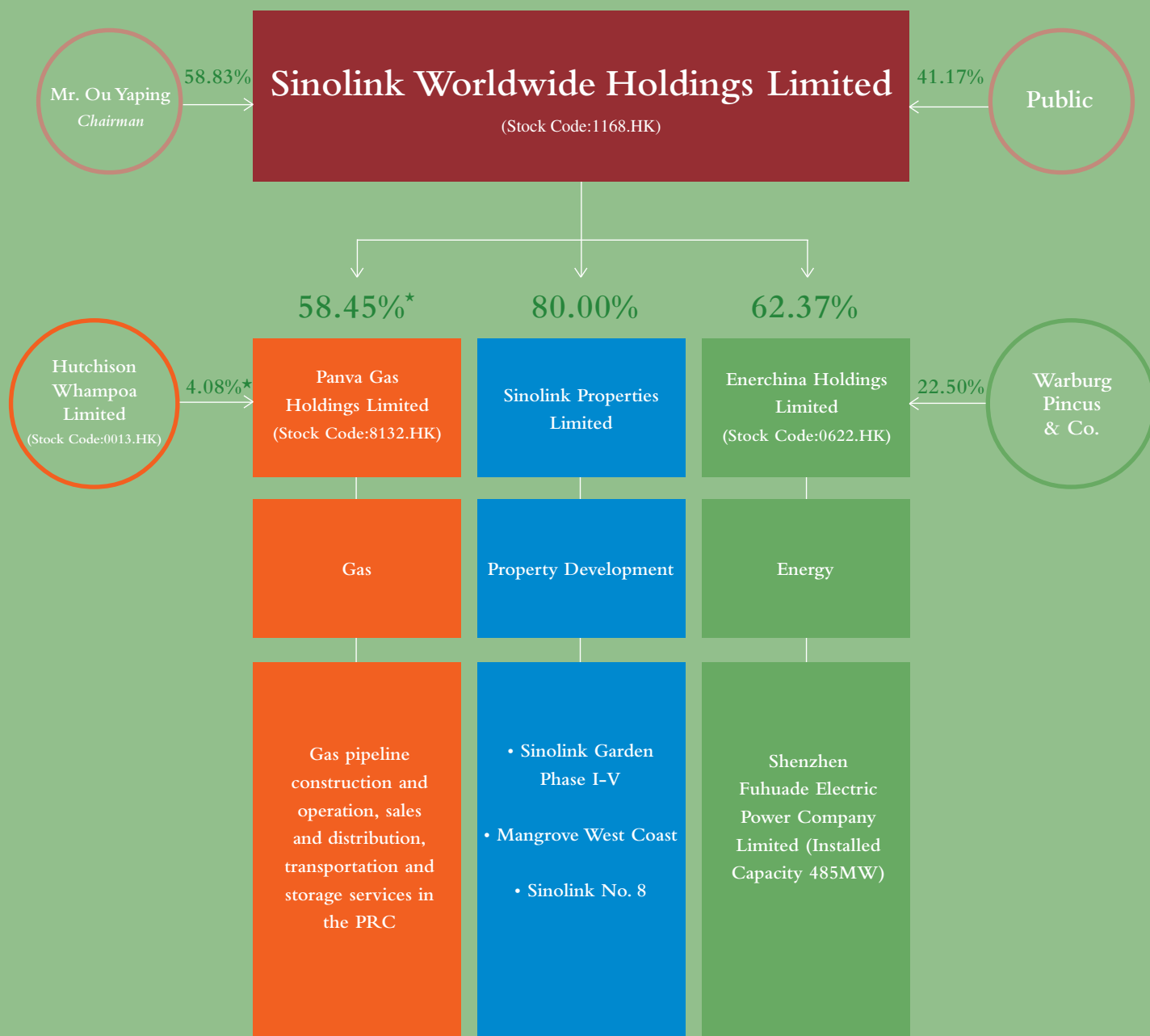
Bank of China, Hong Kong Branch
Industrial and Commercial Bank
of China (Asia) Ltd.
Hang Seng Bank Limited
Bank of China, Shenzhen Branch
Industrial and Commercial Bank
of China, Shenzhen Branch



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Group Structure *(As at the date of this report)*

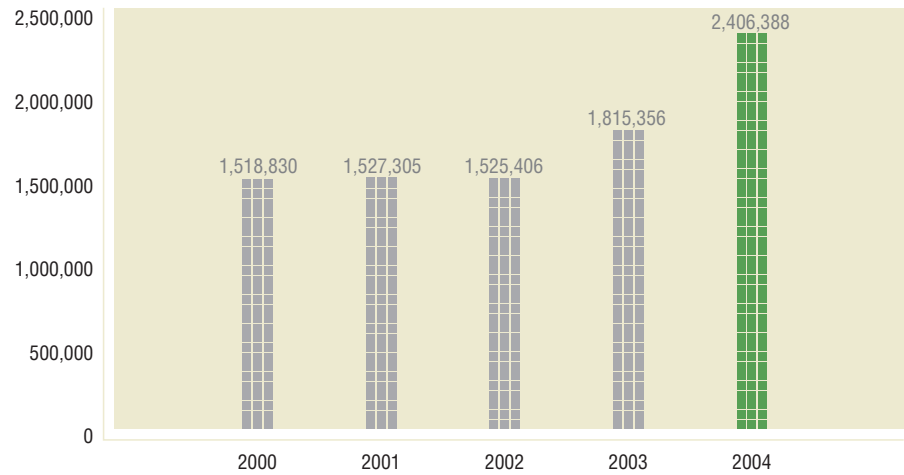


* Note: Upon full conversion of the exchangeable note, the respective holdings of Sinolink Worldwide Holdings Limited and Hutchison Whampao Limited in Panva Gas Holdings Limited will be 56.41% and 6.12%

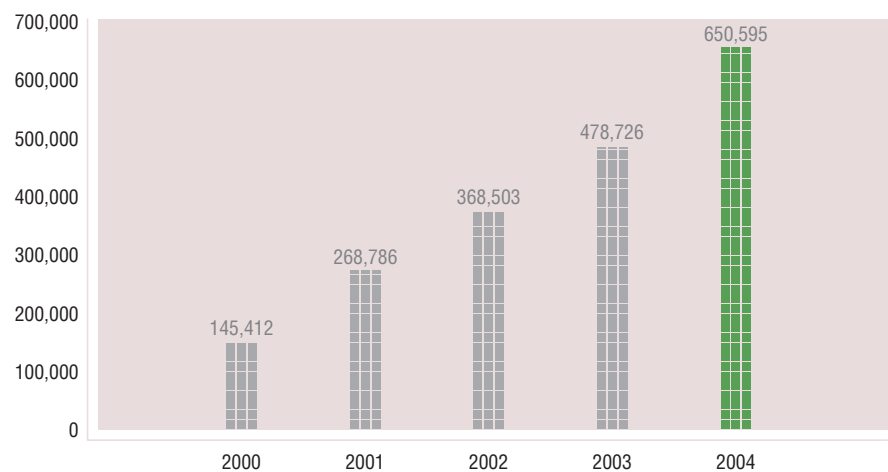
Financial Highlights

Financial Highlights

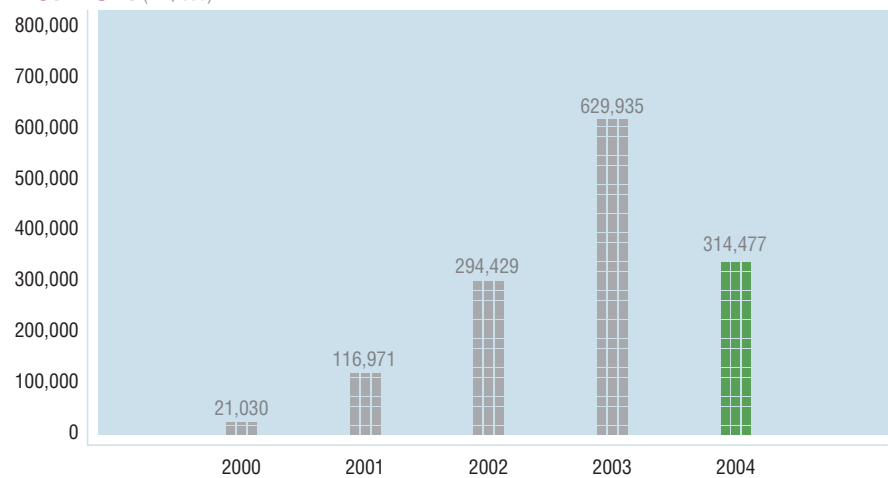
Turnover (HK\$'000)



Gross Profit (HK\$'000)



Net Profit (HK\$'000)



Financial Summary

	For the year ended 31 December				2004 HK\$'000
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000 (Restated)	
RESULTS					
Turnover	1,518,830	1,527,305	1,525,406	1,815,356	2,406,388
Profit before taxation	34,464	183,672	389,245	805,247	505,274
Taxation	(7,049)	(10,499)	(16,068)	(48,654)	(39,385)
Profit before minority interests	27,415	173,173	373,177	756,593	465,889
Minority interests	(6,385)	(56,202)	(78,748)	(126,658)	(151,412)
Net profit for the year	21,030	116,971	294,429	629,935	314,477
	As at 31 December				2004 HK\$'000
	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000 (Restated)	
ASSETS AND LIABILITIES					
Total assets	2,188,592	2,966,479	3,365,046	4,691,596	9,492,063
Total liabilities	(706,547)	(1,321,962)	(1,331,096)	(1,630,302)	(5,173,748)
Minority interests	(282,857)	(368,757)	(454,734)	(874,556)	(1,888,445)
Shareholders' funds	1,199,188	1,275,760	1,579,216	2,186,738	2,429,870



Mr. Ou Yaping
Chairman

Enhance Value Create Value Identify Value

On behalf of the board of directors (the "Board") of Sinolink Worldwide Holdings Limited ("Sinolink" or the "Company"), I am pleased to announce that the Company and its subsidiaries (collectively the "Group") recorded satisfactory results during the year ended 31 December 2004.

BUSINESS REVIEW

During the year under review, the Group achieved satisfactory results with increased contributions from all across our business activities. The turnover increased by 32.6% to HK\$2,406.4 million and net profit amounted to HK\$314.5 million.

Property Market

With the Group's real estate developments located in the city of Shenzhen of the People's Republic of China (the "PRC" or "China"), the operating results in the property development business continued to benefit from the fast-growing economy of this special economic zone. In the past year, the property prices in the PRC continued to rise and to allow for a more sustainable growth, the PRC government had taken several measures to adjust its economy in 2004 and in early 2005, which include raising the mortgage interest rate and also raised the ceiling for deposit for mortgages to 30%. Shenzhen, being one of the more mature market in property development and with the continuous prosperity of the economy, the demand will continue to grow which in turn will generate a healthy and favourable environment for our growth.

In 2004, despite these macro-austerity measures, the total area of residential property developments approved for pre-sale in Shenzhen was 9,531,900 square metres, representing an increase of 9.5% over 2003, and of which 8,064,800 square metres were residential property, representing 12.5% increase over 2003.

Recently, the Shenzhen government announced a 5-year plan to redevelop the Shenzhen city's residential properties into "village-in-town" style whereby each residential property is self-serving with multi facilities built in the developments just like our Sinolink Garden, with built-in club houses, schools, shopping complexes, etc.. The redevelopment plan not only will re-shape the look of the city and once developed, will create over 6 million square metres of residential properties to satisfy the demand for housing in Shenzhen. We see this as our opportunity and with our expertise, we are currently conducting feasibility studies towards our involvement in these projects.



Gas Fuel Market

The PRC economy continued to expand at a solid and rapid momentum in 2004, that was by far its highest growth in

Chairman's Statement

more than a decade. Amidst the rapid growth of the economy, there are structural changes taking place in the PRC's energy consumption strata. Recognising the high importance of environmental protection and prompted by the Chinese citizens' aspirations for higher living standards, the PRC government has been taking measures to reduce the reliance on coal and to increase gas fuel consumption. Driven by strong economic developments and supportive government policies, the PRC's gas fuel market provides a favourable environment for investors.

According to the forecasts of the Energy Research Institute of the State Planning Commission, the PRC will see a much stronger growth in natural gas demand against coal and oil consumption in the next 20 years. By 2020, its natural gas demand is expected to increase to 203.7 billion cubic metres, accounting for 10% of the country's total energy consumption compared to only 2.1% in 1998. Stretched global oil supply and severe air pollution brought by low-grade fuels also play a part in prompting the PRC government to accelerate natural gas development.

On 1 October 2004, the "West to East Pipeline" officially went into commercial operation. With a total length of 4,000 kilometres, the pipeline brings natural gas to 10 provinces across the PRC's eastern and western regions. On 16 November 2004, the Zhongwu Gas Pipeline commenced operation, transporting natural gas from the Sizhuan-Basin to the Hubei and Hunan provinces. Other major pipelines such as the Shaanxi-Beijing Second Pipeline and the Hebei-Nanjing Pipeline will be completed in the next few years. Significant progress is also seen in offshore natural gas exploitation along the PRC's coastal regions, while imported liquefied natural gas ("LN Gas") is becoming a hot pursuit for companies to take advantage of the soaring demand. All in all, a nationwide natural gas pipeline network is taking shape in the PRC, with natural gas pipelines already developed in major PRC provinces and cities.

The Group has seized the huge opportunities arising from the PRC's rapid development of natural gas through active



participations in state-owned gas enterprise reforms to expand its city gas projects. Such projects are located in major PRC cities with abundant natural gas resources and strong prospects for natural gas consumption.

Given that most of the PRC villages and small and medium-size towns will not have access to natural gas pipelines, it is highly likely that LP Gas will remain their favourite choice. Even in major PRC cities, there are commercial sectors such as the food catering industry which prefer LP Gas in cylinders to piped natural gas, as the former has the advantages of being high in burning power, easy to carry, and inexpensive in upfront investment. As such, the PRC will continue to provide ample room for the coexistence of LP Gas and pipe natural gas.

Being a major LP Gas supplier with an extensive end-user customer base in the PRC, the Group has strong operational and management experience in the field and commands a well-established supply and sales network. During 2004, rising oil prices worldwide led to steep increases in LP Gas production costs, bringing huge challenges to the Group's LP Gas operations. Facing these challenges, the Group took active measures to reduce its operating costs – such as the strengthening of control on inventory turnover, diversification in purchasing and adoption of more proactive management – while increased the sale prices of its products. By capitalising on its strong competitive advantages, the Group was able to alleviate the operating risks brought by rising oil prices and gained satisfactory results.

Power Market

During the year under review, despite the fact that the PRC government introduced macroeconomic measures to adjust its economy, total gross domestic products still grew by 9.5% in 2004. The nation power generation and consumption grew at an even higher rate of 14.8% and 14.9% respectively, reaching a total of 2,187.0 billion kWh and 2,173.5 billion kWh respectively in 2004. According to the statistics provided by the State Power Information Network, the total power generation in Guangdong Province alone grew by more than 12.6% in 2004 to approximately 202.3 billion kWh. The level of strong demand is expected to continue in 2005, which provides opportunities for the Group to improve both its productivity and further expand our power generating units.



BUSINESS PROSPECTS

Property Market

According to the market forecasts, the annual demand in Shenzhen property market will maintain at a level of approximately 12,000,000 square metres during the next 5 years, which is corroborated with the annual sales record in 2004. As the land in the city has mostly been utilized, future developments will be focused on the suburb areas and the redevelopment of the existing old residentials. With the commencement of the operation of the Shenzhen subway project in December 2004 to relief the congestion of traffic in Shenzhen, the Company believes that the Shenzhen property market will maintain a healthy and steady trend of rising demand and price.

In 2005, the Group's property development business will reach its harvesting stage whereby our long awaited, stunning two years development projects, *The Mangrove West Coast* will be launched shortly, bringing 249,300 square metres of gross floor areas available for sale. Together with existing project, *The Oasis*, we will ripe a fruitful year ahead.



Gas Fuel Market

In view of the PRC government's policy to further open up the oil and gas sectors to foreign investors, in particular the natural gas production chain where the barrier to foreign investment will be removed, the western PRC region with its abundant resources of natural gas offers huge investment opportunities. The Group will strive to seize the opportunities arising from the state's Western Development Plan, focusing on the expansion of natural gas projects in markets such as Sichuan and Chongqing. Moreover, the Group will increase its investment and merger and acquisition activities in the northeastern PRC region by capitalising on the favourable policies offered by the state to revitalise the northeastern industrial base and the unprecedented opportunities arising from the transport of Russian natural gas to the region. The Group will continue to add high quality gas projects and increase its economies-of-scale advantages. While focusing on the development of the piped gas sector, the Group will also continue to invest in and actively expand its LP Gas businesses including the retail of LP Gas in cylinders and the wholesale of LP Gas in bulk. The objective is to further expand the Group's end-user customer base and profitability by capitalising on the Group's brand-name advantage.

Chairman's Statement

Looking ahead, the Group will make additional efforts to seize the unprecedented opportunities brought by the PRC's public utilities reforms. The Group will actively expand its market, apply prudence in investment, and participate in good quality gas enterprises with strong growth potential through mergers and acquisitions with due regard to the state's natural gas development policy and the Group's internal corporate development strategy. Moreover, the Group will improve the integration of its acquired companies and maintain its overall economies-of-scale advantages in order to gain further development for the Group's businesses and continue maximising the returns for shareholders.

Power Market

In 2005, I believe the Chinese economy will continue to grow at a steady rate in 2005 and so will demand for electricity despite the continual imposition of macroeconomic austerity measures by the PRC government. Our top priority is to make sure our existing expansions will be completed on schedule and within our budgeted cost. We are conducting feasibility studies towards switching our existing power generating units to the utilization of LN Gas as fuel and further expand our current capacity by doubling it through our own development and construction. In the near future, with the opening of the Guangdong LNG Terminal ("Terminal"), we will be able to benefit from being one of the first power generating units to receive supply from the Terminal.

In addition, in response to the continuing strong demand for electricity in the PRC and increasing emphasis by the PRC government on the environmental protection issue, our investment strategy would be the utilization of other alternative means of energy production like coal gasification. As China is a coal-rich country, this process of refining coal to produce wide range of chemical products will allow us to capture the commercial benefit of better and cleaner utilization of coal.

Despite the abovementioned expansion and acquisition plans in place, the continuing high oil price in the world market and the shortage of rain water in Shenzhen may directly or indirectly increase the operating cost and are challenges and issues which management have been closely monitoring. Appropriate measures have been undertaken by the management to minimize the impact on operations.

Therefore, in 2005, we will continue to improve our internal control and management systems and process flows especially enforcing stringent control over our fuel cost in response to the soaring oil price and the construction costs on our projects.



APPRECIATION

Last but not least, I would like to take this opportunity to thank our board members, customers and business associates for their strong support, and our staff for their high diligence during the past year. I would also like to thank our shareholders for their continual support and trust of the management team through all these years.

Ou Yaping

Chairman

Hong Kong, 31 March 2005



Mr. Tang Yui Man Francis
Chief Executive Officer

Chief Executive Officer's Report

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.

BUSINESS REVIEW

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

Property Development

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

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

Gas Fuel Business

For the year ended 31 December 2004, the Group's gas fuel business, operated by Panva Gas 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

Chief Executive Officer's Report

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. Among them, three projects were located in the Changchun city of Jilin province, the Anshan city of Liaoning province, and the Qiqihar city of Heilongjiang province, which represented the major breakthroughs in the northeastern region in China following

its years of preparation works. With the successful acquisition of these large and good quality projects, Panva Gas has gained major footholds for its strategic development in the northeastern region. The Changchun project is particularly significant, which provides Panva Gas further leverage in the PRC's gas fuel sector as well as an additional venue to tap the capital market.

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

Electricity Generation

The electricity generation business of the Company is used to be conducted through one of its associate, Enerchina 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.

CAPITAL MARKET TRANSACTIONS

On 8 January 2004, the Group completed the top-up placing arrangement which commenced in December 2003 by subscribing 155,200,000 new shares of Panva Gas bringing its interests in Panva Gas to 63.59% and raised HK\$600 million from this exercise for Panva Gas for the expansion of the gas fuel business.

On 19 April 2004, Enerchina completed an open offer of shares on the basis two offer shares for every existing share held. The Company through its wholly owned subsidiary, acted as the underwriter of the open issue and Enerchina raised HK\$600.5 million from this open offer for the purchasing of additional power generation units to increase its power generation capacity.

On 16 September 2004, the Company's subsidiary, Panva Gas successfully issued guaranteed senior notes in an aggregate principal amount of US\$200 million due 2011 jointly arranged by Morgan Stanley & Co. International Limited and Merrill Lynch Far East Limited. The proceeds will be used to fund Panva Gas's expansion in the piped gas business and the LP Gas business and as working capital.



On 16 November 2004, the Company placed 48,000,000 shares in Panva Gas to an independent third party and raised HK\$156 million from this placing for the working capital of the Group.

On 3 December 2004, the group increased its stake in Enerchina from 37.1% to 50.1% by purchasing another 13% from independent third parties. At the same time, an unconditional general offer was made and closed on 18 January 2005 with the Group's holding further increased to 63.38%.

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.

Chief Executive Officer's Report

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.

POST BALANCE SHEET EVENT

The Group entered into an equity transfer agreement with, among others, an independent third party on 16 December 2004 to dispose of its wholly owned subsidiary, New China Control Systems Limited, which in turn holds 41% equity interest in Xin Hua Control Engineering Co., Ltd. for a cash consideration of US\$23.5 million (HK\$182.83 million). Upon closing of the transaction, which is at the date of this report, the Enerchina Group will record a gain on disposal of HK\$95.9 million.



CAPITAL COMMITMENTS

As at 31 December 2004, the Group had capital commitments in respect of the acquisition of properties under development amounted to HK\$667.3 million, in respect of the acquisition of property, plant and equipment amounted to HK\$191.5 million and in respect of unpaid capital contribution of investment projects amounted to HK\$526.0 million.

EMPLOYEES AND REMUNERATION POLICIES

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

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

CONTINGENT LIABILITIES

Guarantees given to banks as security for the mortgage loans arranged for the purchases of the Group's properties amounted to HK\$261.5 million.

A supplier filed an arbitration in August 2003 against Fuhuade Power Plant claiming for additional contract price in the amount of HK\$28.0 million. 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 December 2004. Save as the outstanding arbitration, the Group has no material contingent liabilities as at 31 December 2004.

PROSPECTS

Property Development

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

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



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

Gas Fuel Business

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

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

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

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

Chief Executive Officer's Report

Power generation

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

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

FINAL DIVIDEND

The Directors have recommended to declare a final dividend of HK\$0.03 (2003: HK\$0.03 and bonus shares of 2 for 10 shares held) per share in respect of the year ended 31 December 2004. Upon approval by the shareholders of the

Company on the forthcoming annual general meeting, the final dividend will be paid on or before 25 May 2005 to shareholders whose names appear on the register of members of the Company on 18 May 2005.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Thursday, 12 May 2005 to Wednesday, 18 May 2005, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer forms with share certificates must be lodged with the Company's Hong Kong Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Wednesday, 11 May 2005.

APPRECIATION

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

By Order of the Board
Tang Yui Man Francis
Chief Executive Officer
Hong Kong, 31 March 2005



Executive Directors



Mr. Chen Wei | Mr. Tang Yui Man Francis

Mr. Ou Yaping | Mr. Law Sze Lai

Mr. Ou Yaping, aged 43, was appointed as the chairman and an executive director of the Company in December 1997. Mr. Ou is the founder and the controlling shareholder of the Group. He is also the chairman and an executive director of the Group's subsidiary, Panva Gas and the vice chairman and an executive director of Enerchina. He holds a Bachelor of Engineering Management degree from the Beijing Institute of Technology in the PRC and is also the vice chairman of the board and a part-time professor of that institute. He was previously employed by a number of trading companies and investment companies in the PRC and Hong Kong. Mr. Ou has over 19 years of experience in investing, trading and corporate management. Mr. Ou is responsible for the overall business development, management and strategic development of the Group.

Mr. Tang Yui Man Francis, aged 42, was appointed as the chief executive officer in 2002 and an executive director of the Company in September 2001. Mr. Tang is also the vice chairman and an executive director of Panva Gas and an executive director of Enerchina. He has a Bachelor degree in Computer Studies from the University of Victoria in Canada and a Master of Business Administration degree from The City University of New York in the United States. Mr. Tang is a qualified accountant in the United States and has numerous years of experience in management, accounting and finance. Mr. Tang is responsible for corporate planning, strategic development and financial planning and management of the Group.

Mr. Chen Wei, aged 43, was appointed as an executive director of the Company in December 1997. Mr. Chen is also the managing director and an executive director of Panva Gas. He holds a Bachelor of Engineering Management degree from the Beijing Institute of Technology in the PRC. He was previously employed by a number of large organisations and has over 19 years of experience in engineering, business administration, market development and management. Mr. Chen joined the Group in February 1992 and is responsible for the overall business development, management and strategic planning of the gas fuel business.

Directors' Profile

Mr. Law Sze Lai, aged 62, was appointed as an executive director of the Company in December 1997. He is also an executive director of Sinolink Properties Limited. He has been employed by a number of real estate companies in the PRC. He is a qualified economist in the PRC and has over 17 years of experience in property development. Mr. Law joined the Group in 1992 and is responsible for the coordination and administration of the real estate business of the Group.

Independent Non-Executive Directors

Mr. Davin A. Mackenzie, aged 45, was appointed as an independent non-executive director of the Company in August 2004. He has a bachelor degree of arts from Dartmouth College, the US, a master degree of business administration from Wharton School, the US and a master degree of arts in international studies from the University of Pennsylvania, the US. Mr. Mackenzie also attended the World Bank Executive Development Program at Harvard Business School, the US in 1999. Mr. Mackenzie is the managing director and the Beijing representative of Peak Capital, a private equity and advisory firm. Prior to this, Mr. Mackenzie was with the International Finance Corporation ("IFC") for seven years from 1993 to 2000. During the last four years with the IFC, Mr. Mackenzie was its resident representative in the PRC. While with the IFC, Mr. Mackenzie spearheaded the corporation's activities in indigenous private sector financing, state owned enterprise restructuring, western province investment and financial sector development and oversaw the growth of IFC's PRC portfolio of over 40 investments of approximately US\$1.2 billion in commitments. He also led a number of advisory initiatives with the PRC government including projects related to foreign direct investment, private infrastructure and domestic private sector development.

Prior to the IFC, Mr. Mackenzie worked for Mercer Management Consulting in Washington, the US. He is currently Chair of the Board of Governors of the Western Academy of Beijing and is on the management committee and the former chairman of Sports Beijing. He is also an independent non-executive director of Enerchina, Chia Hsin Cement Greater China Holding Corporation and AsiaInfo Holdings, Inc..

Mr. Li Zhi Xiang, aged 59, was appointed as an independent non-executive director of the Company in November 2003. Mr. Li Holds a Dynamics and Mechanics degree from the Beijing Institute of Technology. He is the Executive Vice President of the Beijing Institute of Technology and a professor of its Doctor degree courses.

Mr. Xin Luo Lin, aged 56, was appointed as an independent non-executive director of the Company in June 2002. He postgraduated from the Peking University in the PRC and is the Justice of Peace in New South Wales of Australia. Mr. Xin holds directorships in a number of companies in Hong Kong. He is also an independent non-executive director of Enerchina.

The directors present the annual report and the audited financial statements of the Company and of the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 42 and 19 respectively to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2004 are set out in the consolidated income statement on page 35 of the annual report.

An interim dividend of HK\$0.015 per share amounting to HK\$34,781,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK\$0.03 per share amounting to HK\$70,353,000 to the shareholders whose names appear on the register of shareholders on 18 May 2005.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group and of the Company are set out in note 14 to the financial statements.

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 29 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

There was no purchased, sale or redemption of the listed securities of the Company by the Company or any of its subsidiaries during the year.

Directors' Report

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Ou Yaping (*Chairman*)

Mr. Tang Yui Man Francis (*Chief Executive Officer*)

Mr. Law Sze Lai

Mr. Chen Wei

Independent non-executive directors:

Mr. Xin Luo Lin

Mr. Li Zhi Xiang

Mr. Davin Alexander Mackenzie (appointed on 18 August 2004)

Mr. Cheung Wing Yui (retired on 25 May 2004)

Mr. Tsang Yu Chor Patrick (retired on 25 May 2004)

In accordance with clause 86(2) of the Company's bye-laws, Mr. Davin Alexander Mackenzie shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Subject to the special resolution in the notice of annual general meeting dated 18 April 2005 being passed by the shareholders of the Company, in accordance with clause 87 of the Company's bye-laws, Messrs. Ou Yaping, Tang Yui Man Francis and Li Zhi Xiang retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election, except for Mr. Li Zhi Xiang, who do not offer himself for re-election.

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

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

At 31 December 2004, the interests or short positions of the Directors and chief executive of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required: (a) divisions 7, 8, and 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in Shares and underlying Shares

Name of directors	Capacity	Interest in Shares		Total interest in shares	Interest in underlying Shares pursuant to share options	Interest in underlying Shares pursuant to derivative	Aggregate interest	Approximate percentage of the Company's issued share capital
		Family interest	Corporate interest					
Chen Wei	Beneficial owner	–	–	–	6,400,000	–	6,400,000	0.27%
Ou Yaping	Beneficial owner, other and interest of controlled corporation	6,475,920	1,374,222,000 (Note)	1,380,697,920	–	14,000,000 (Note)	1,394,697,920	59.77%

Note: Interest in 1,374,222,000 Shares and 14,000,000 underlying Shares are held by Asia Pacific Promotion Limited ("Asia Pacific"), a company incorporated in the British Virgin Islands, which is legally and beneficially owned by Mr. Ou Yaping, chairman of the Company.

Directors' Report

(b) Directors' interests or short positions in shares in associated corporations

Name of directors	Name of associated corporation	Interest in shares			Total interest in Shares	Interest in underlying shares pursuant to share options	Aggregate interest	Approximate percentage of the issued share capital of the associated corporations
		Long position/(short position)						
		Beneficial owner	Interest of controlled corporations	Others				
Chen Wei	Panva Gas	4,160,000	–	–	4,160,000	8,040,000	12,200,000	1.29%
Davin A. Mackenzie	Enerchina	–	–	–	–	2,288,000	2,288,000	0.10%
Ou Yaping	Enerchina	–	40,515,000	1,147,680,775	1,188,195,775	2,288,000	1,190,483,775	51.96%
					(Note 1)			
	Panva Gas	–	6,081,600	550,789,987	556,871,587	3,600,000	560,471,587	59.48%
		–	(19,230,769)	–	(19,230,769)	–	(19,230,769)	(2.04%)
					(Note 2)			
Tang Yui Man Francis	Enerchina	–	–	–	–	22,880,000	22,880,000	1.00%
	Panva Gas	5,440,000	–	–	5,440,000	3,960,000	9,400,000	1.00%
Xin Luo Lin	Enerchina	–	–	–	–	2,288,000	2,288,000	0.10%

Notes:

- The 1,188,195,775 shares in Enerchina represent the aggregate of: (i) the 612,402,966 shares held by the Company (Mr. Ou Yaping through his wholly-owned company, Asia Pacific, holds approximately 59.49% 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 575,792,809 shares held by Smart Orient Investments Limited ("Smart Orient"). 100% interests of Smart Orient are held by the Company. Mr. Ou Yaping is deemed under the SFO to be interested in these shares. Out of these 1,188,195,775 shares, 1,147,680,775 shares had been pledged with Morgan Stanley by the Company.

2. The 556,871,587 shares in Panva Gas represent the aggregate of: (i) 381,298,462 shares held by Kenson Investment Limited ("Kenson"), a wholly-owned subsidiary of the Company. 59.49% interests of the Company are held by Asia Pacific. Mr. Ou Yaping is the sole beneficial owner of Asia Pacific. Mr. Ou Yaping is deemed under the SFO to be interested in these shares; (ii) 6,081,600 shares held by Asia Pacific directly. The entire issued share capital of Asia Pacific are legally and beneficially held by Mr. Ou Yaping; and (iii) 169,491,525 shares held by Supreme All Investments Limited ("Supreme All"). 100% interests of Supreme All are held by the Company, Mr. Ou Yaping is deemed under the SFO to be interested in these shares. Out of these 556,871,587 shares, 550,789,987 shares had been pledged with Morgan Stanley by the Company.

Kenson is under an obligation to transfer 19,230,769 shares to Hutchison International Limited ("Hutchison International") upon full exchange of HK\$62,500,000 redeemable note (the "Note") held by Hutchison International in accordance with the terms and conditions of the Note.

DIRECTORS' RIGHT TO ACQUIRE SHARES

(a) Interest in options to subscribe for Shares

Pursuant to the Company's share option scheme, the Company has granted options to subscribe for the 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 at 01.01.2004	Adjustment as a result of bonus issue of Shares	Exercised during the year	Number of Shares subject to outstanding options at 31.12.2004	Approximate percentage of the Company's issued share capital
Chen Wei	14.03.2002	01.09.2002 – 01.09.2004	0.56	6,000,000	1,200,000	7,200,000	–	–
	14.03.2002	01.12.2002 – 01.12.2005	0.56	6,000,000	1,200,000	800,000	6,400,000	0.27%
Law Sze Lai	14.03.2002	01.09.2002 – 01.09.2004	0.56	6,000,000	1,200,000	7,200,000	–	–
	14.03.2002	01.12.2002 – 01.12.2005	0.56	6,000,000	1,200,000	7,200,000	–	–
Tang Yui Man Francis	14.03.2002	01.09.2002 – 01.09.2004	0.56	1,900,000	380,000	2,280,000	–	–
	14.03.2002	01.12.2002 – 01.12.2005	0.56	1,900,000	380,000	2,280,000	–	–

Directors' Report

Notes:

1. The vesting period of the share options in 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.
3. The number of share options outstanding at beginning of year and the exercise prices have been adjusted to reflect the effect of bonus issue of shares during the year. Exercise price before adjustment is HK\$0.67 and exercise price after adjustment is HK\$0.56.

(b) Interest in options to subscribe for shares of associated corporations

Name of Directors	Name of associated corporation	Date of grant	Exercise period	Exercise price HK\$	Number of shares options held	Approximate percentage of the issued share capital of the associated corporation
Chen Wei	Panva Gas	04.04.2001	01.01.2003 – 03.04.2011	0.475	1,800,000	0.19%
		04.04.2001	01.01.2004 – 03.04.2011	0.475	1,800,000	0.19%
		13.11.2001	13.11.2002 – 13.02.2007	0.940	1,440,000	0.15%
		19.11.2004	31.12.2005 – 30.03.2011	3.500	900,000	0.10%
		19.11.2004	31.12.2006 – 30.03.2011	3.500	900,000	0.10%
		19.11.2004	31.12.2007 – 30.03.2011	3.500	1,200,000	0.13%
Davin A. Mackenzie	Enerchina	20.10.2004	20.10.2005 – 19.10.2015	0.500	2,288,000	0.10%
Ou Yaping	Enerchina	09.06.2004	09.06.2004 – 08.06.2014	0.440	2,288,000	0.10%
	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%
Tang Yui Man Francis	Enerchina	09.06.2004	09.06.2004 – 08.06.2014	0.440	22,880,000	1.00%
	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%
Xin Luo Lin	Enerchina	09.06.2004	09.06.2004 – 08.06.2014	0.440	2,288,000	0.10%

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. These options represent personal interests held by the Directors as beneficial owners.

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

SHARE OPTION SCHEMES OF THE GROUP

(A) The Company's Share Option Schemes

(a) 1998 Share Option Scheme

Pursuant to a share option scheme approved by resolutions of the shareholders of the Company dated 11 May 1998 (the "Old Scheme"); share options were granted to directors and employees of the Company or its subsidiaries for recognition of their contributions to the Group. The exercise price of the share options will be determined at the higher of 80% of the average closing prices of the Company's Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the share options and the nominal value of the shares. The share options granted must be taken up within 28 days of the date of grant with a nominal consideration of HK\$1 payable on the date of grant. The New Scheme (as defined below) has replaced the Old Scheme and there will be no new share options granted under the Old Scheme in the future but the options which had been granted during its life shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects the provisions of the Old Scheme shall remain in full force and effect.

Under the Old Scheme, the maximum number of Shares in respect of which options may be granted will not exceed 10% of the issued share capital of the Company from time to time. The maximum number of Shares issued to each employee or director in respect of which options may be granted shall not exceed 25% of the total Shares in issue or to be issued under the Old Scheme.

At 31 December 2004, a total of 6,400,000 options (representing approximately 0.27% of the existing issued share capital of the Company) may be issued upon exercise of all options which had been granted and yet to be exercised under the Old Scheme.

(b) 2002 Share Option Scheme

Pursuant to a share option scheme approved by resolutions of the shareholders of the Company dated 24 May 2002 (the "New Scheme"); share options were granted to directors and employees of the Company or its subsidiaries for recognition of their contributions to the Group. The exercise price of the share options will be determined at the higher of the average of closing prices on the Stock Exchange on the five trading days immediately preceding on the date of grant, the closing price of the Shares on the Stock Exchange on the date of grant and the nominal value of the Shares. The share options granted must be taken up within 28 days of the date of grant.

At 31 December 2004, a total of 24,850,000 options (representing approximately 1.06% of the existing issued share capital of the Company) may be issued upon exercise of all options which had been granted and yet to be exercised under the New Scheme.

Directors' Report

The share options are exercisable at any time for a period to be determined by the Directors, which shall not be more than 10 years from the date of grant.

The total number of shares in respect of which options may be granted under the New Scheme are not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the Shares in issue at any point in time, without prior approval from the Company's shareholders.

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

Additional information in relation to the Company's share option schemes are set out in note 35 to the financial statements.

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

Category 1: Directors

		Adjustment as a					
	Option types	Outstanding at 1.1.2004	Granted during the year	result of bonus issue of Shares	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2004
Chen Wei	2002A	12,000,000	—	2,400,000	(8,000,000)	—	6,400,000
Law Sze Lai	2002A	12,000,000	—	2,400,000	(14,400,000)	—	—
Tang Yui Man Francis	2002A	3,800,000	—	760,000	(4,560,000)	—	—
Total for directors		27,800,000	—	5,560,000	(26,960,000)	—	6,400,000

Category 2: Employees

	Adjustment as a					
Option types	Outstanding at 1.1.2004	Granted during the year	result of bonus issue of Shares	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2004
2001B	550,000	—	110,000	(660,000)	—	—
2002A	6,800,000	—	500,000	(7,300,000)	—	—
2004	—	25,400,000	5,080,000	(4,430,000)	(1,200,000)	24,850,000
Total for employees	7,350,000	25,400,000	5,690,000	(12,390,000)	(1,200,000)	24,850,000
All categories	35,150,000	25,400,000	11,250,000	(39,350,000)	(1,200,000)	31,250,000

Details of specific categories of options are as follows:

Option types	Date of grant	Exercise period	Exercise price before adjustment HK\$	Exercise price after adjustment HK\$
Old Scheme:				
2001B	09.10.2001	03.04.2002 – 03.04.2005	0.33	0.28
	09.10.2001	03.10.2002 – 03.10.2005	0.33	0.28
	09.10.2001	30.12.2002 – 30.12.2005	0.33	0.28
2002A	14.03.2002	01.09.2002 – 01.09.2004	0.67	0.56
	14.03.2002	01.12.2002 – 01.12.2005	0.67	0.56
	14.03.2002	01.01.2003 – 01.01.2005	0.67	0.56
New Scheme:				
2004	01.01.2004	01.06.2004 – 31.05.2008	0.91	0.76
	01.01.2004	01.01.2005 – 31.05.2008	0.91	0.76
	01.01.2004	01.06.2005 – 31.05.2008	0.91	0.76

Notes:

1. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
2. The closing price of the Shares immediately before 1 January 2004 the date of grant of the 2004 options was HK\$0.758 (before bonus issue of share adjustment was HK\$0.91).
3. The weighted average closing price of the Shares immediately before the dates on which the options were exercised 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\$0.94, HK\$0.89, HK\$0.89, HK\$0.89, HK\$0.89, HK\$0.9 and HK\$0.91 respectively.
4. During the year, 25,400,000 Shares granted under the New Scheme were adjusted to 30,480,000 Shares to reflect the effect of bonus issue of Shares.
5. During the year, 1,200,000 options were lapsed under the share option schemes.
6. The directors believe that any statement regarding the value of options granted during the year will not be meaningful to shareholders, taking into account the unique business nature of the Group and its potential for future expansion and that comparable data required for calculation of the value of the options will not be representative of the Group.

Directors' Report

(B) Share Options of Panva Gas

Movements of the share options of Panva Gas, a subsidiary of the Company, which have been granted under the Panva Gas Pre-Listing share options scheme (the “Panva Pre-Listing Options”) and Panva Gas share options scheme (the “Panva Scheme”) both approved by sole shareholder on 4 April 2001, during the year are set out below:–

		Outstanding at 1.1.2004	Appointed as director during the year	Retired as director during the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2004
Category 1: Directors								
Chen Wei	Panva Pre-Listing Options	3,600,000	–	–	–	–	–	3,600,000
	2001 Options under Panva Scheme	1,440,000	–	–	–	–	–	1,440,000
	2004 Options under Panva Scheme	–	–	–	3,000,000	–	–	3,000,000
Ou Yaping	Panva Pre-Listing Options	3,600,000	–	–	–	–	–	3,600,000
Tang Yui Man Francis	2001 Options under Panva Scheme	960,000	–	–	–	–	–	960,000
	2004 Options under Panva Scheme	–	–	–	3,000,000	–	–	3,000,000
Other directors of Panva Gas	Panva Pre-Listing Options	6,000,000	600,000	(2,200,000)	–	(1,980,000)	–	2,420,000
	2001 Options under Panva Scheme	1,440,000	–	(960,000)	–	–	–	480,000
	2004 Options under Panva Scheme	–	–	–	6,400,000	–	–	6,400,000
Total directors		<u>17,040,000</u>	<u>600,000</u>	<u>(3,160,000)</u>	<u>12,400,000</u>	<u>(1,980,000)</u>	<u>–</u>	<u>24,900,000</u>
Category 2: Employees								
	Pre-Listing Options	7,440,000	(600,000)	2,200,000	–	(3,790,000)	–	5,250,000
	2001 Options under Panva Scheme	6,984,000	–	960,000	–	(2,183,000)	(1,072,000)	4,689,000
	2004 Options under Panva Scheme	–	–	–	8,800,000	–	–	8,800,000
Total employees		<u>14,424,000</u>	<u>(600,000)</u>	<u>3,160,000</u>	<u>8,800,000</u>	<u>(5,973,000)</u>	<u>(1,072,000)</u>	<u>18,739,000</u>
All categories		<u><u>31,464,000</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>21,200,000</u></u>	<u><u>(7,953,000)</u></u>	<u><u>(1,072,000)</u></u>	<u><u>43,639,000</u></u>

Details of specific categories of options granted by Panva Gas are as follows:

Option types	Date of grant	Exercise period	Exercise price HK\$
Pre-Listing Options	04.04.2001	01.01.2003 – 03.04.2011	0.475
	04.04.2001	01.01.2004 – 03.04.2011	0.475
2001 Options under Panva Scheme	13.11.2001	13.02.2002 – 13.02.2007	0.940
	13.11.2001	13.05.2002 – 13.02.2007	0.940
	13.11.2001	13.11.2002 – 13.02.2007	0.940
2004 Options under Panva Scheme	19.11.2004	31.12.2005 – 30.03.2011	3.500
	19.11.2004	31.12.2006 – 30.03.2011	3.500
	19.11.2004	31.12.2007 – 30.03.2011	3.500

Notes:

1. The vesting period of the above share options is from the date of grant until the commencement of the exercise period.
2. The closing price of the Panva Gas shares immediately before 19 November 2004 (the date of grant of 2004 Options under Panva Scheme) was HK\$3.50.
3. The weighted average closing price of the Panva Gas shares immediately before the date on which the options of Panva Gas were exercised on 6 January 2004 and 25 May 2004 were HK\$4.01 and HK\$3.82 respectively.
4. During the year, 21,200,000 options of Panva Gas were granted and 1,072,000 option of Panva Gas were lapsed under the share option schemes of Panva Gas.
5. During the year, no options of Panva Gas were cancelled under the share option schemes of Panva Gas.
6. The price of the Panva Gas' shares disclosed for options of Panva Gas granted is the closing price quoted on the Stock Exchange on the trading day immediately before the date of the grant of the respective options. The price of the Panva Gas shares disclosed for the options of Panva Gas exercised during the year is the weighted average of the closing prices quoted on the Stock Exchange immediately before the date of exercise of options of Panva Gas.

Directors' Report

(C) Share Options of Enerchina

Movements of the share options of Enerchina, a subsidiary of the Company, which have been granted under the Enerchina's share option scheme adopted in 1993 (the "1993 Enerchina Scheme") and Enerchina share option scheme adopted in 2002 (the "2002 Enerchina Scheme"), during the year are set out below:–

Directors	Share option scheme	Outstanding at 1.1.2004	Retired as					Adjusted
			Granted during the year	director during the year	Exercised during the year	Lapsed during the year	after open offer during the year	Outstanding at 31.12.2004
Category 1: Directors								
Davin A. Mackenzie	2002 Enerchina Scheme	–	2,288,000	–	–	–	–	2,288,000
Ou Yaping	2002 Enerchina Scheme	–	2,288,000	–	–	–	–	2,288,000
Tang Yui Man Francis	2002 Enerchina Scheme	–	22,880,000	–	–	–	–	22,880,000
Xin Luo Lin	2002 Enerchina Scheme	–	2,288,000	–	–	–	–	2,288,000
Other directors of Enerchina	1993 Enerchina Scheme	8,750,000	–	–	–	–	17,500,000	26,250,000
	2002 Enerchina Scheme	–	34,456,000	(2,288,000)	–	–	–	32,168,000
Total Directors		8,750,000	64,200,000	(2,288,000)	–	–	17,500,000	88,162,000
Category 2: Employees								
	1993 Enerchina Scheme	294,000	–	–	(357,000)	(525,000)	588,000	–
	2002 Enerchina Scheme	–	30,150,000	2,288,000	(2,288,000)	(3,250,000)	–	26,900,000
Total employees		294,000	30,150,000	2,288,000	(2,645,000)	(3,775,000)	588,000	26,900,000
All categories		9,044,000	94,350,000	–	(2,645,000)	(3,775,000)	18,088,000	115,062,000

Details of options granted by Enerchina are as follows:

Option types	Date of grant	Exercise period	Exercise price before adjustment	Exercise price after adjustment
1993 Enerchina Scheme	24.05.2000	24.05.2000 – 23.05.2010	1.66	0.55
	26.06.2000	26.06.2000 – 25.06.2010	2.23	0.74
	26.03.2001	26.03.2001 – 25.03.2011	1.20	0.40
2002 Enerchina Scheme	09.06.2004	09.06.2004 – 08.06.2014	N/A	0.44
	09.06.2004	09.06.2005 – 08.06.2014	N/A	0.44
	09.06.2004	09.06.2006 – 08.06.2014	N/A	0.44
	09.06.2004	09.12.2006 – 08.06.2014	N/A	0.44
	20.10.2004	20.10.2005 – 19.10.2015	N/A	0.50

Notes:

1. The exercise price for the share options of Enerchina has been adjusted for the open offer during the year.
2. The vesting period of the share options of Enerchina is from the date of the grant until the commencement of exercise period.
3. The closing price of the Enerchina's shares immediately before 9 June 2004 and 20 October 2004, the date of grant of the options under 2002 Enerchina Scheme, were HK\$0.445 and HK\$0.50 respectively.
4. The weighted average closing price of the Enerchina's shares immediately before the dates on which the options were exercised on 12 August 2004, 5 November 2004 and 24 November 2004 were HK\$0.48, HK\$0.50 and HK\$0.58 respectively.
5. During the year, 94,350,000 options of Enerchina were granted and 3,775,000 were lapsed under the share option schemes of Enerchina. No options were cancelled under the share option scheme of Enerchina.
6. The price of the Enerchina's shares disclosed for options granted is the closing price quoted on the Stock Exchange on the trading day immediately before the date of the grant of the respective options. The price of the Enerchina's shares disclosed for the options exercised during the year is the weighted average of the closing prices quoted on the Stock Exchange immediately before the date of exercise of options of Enerchina.

Directors' Report

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the option holdings disclosed above, at no time during the period was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or the chief executive or any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

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

DIRECTORS' SERVICE CONTRACT

There is no unexpired directors' service contract which is not terminable by the Company within one year of any director proposed for re-election at the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "CONNECTED TRANSACTIONS", no contracts of significance to which the Company or any related company (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Rules Governing the Listing of Securities of the Stock Exchange (the "Listing Rules"), the following connected transactions of the Company require disclosure in the annual report of the Company:

Pursuant to the tenancy agreements dated 1 April 2002 which expired on 31 March 2004 between Sinolink Worldwide (HK) Company Limited ("Sinolink Worldwide (HK)") as tenant and Skillful Assets Limited ("Skillful") (a company controlled by Mr. Ou Yaping and of which Mr. Ou Yaping is a director), as landlord, Skillful agreed to let to Sinolink Worldwide (HK) the property known as House 3, Kellett View Town Houses, Nos. 65-69 Mount Kellett Road, Hong Kong for a term of two years commencing on 1 April 2002 at a rent of HK\$83,000 per month respectively exclusive of rates and management fees. Total rental expenses of HK\$996,000 were paid or payable to Skillful for the year ended 31 December 2004.

The independent non-executive directors confirm that the transaction has been entered into by the Company in the ordinary course of its business and in accordance with the terms of the agreement governing such transactions.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of Directors, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:–

Long positions and short positions in Shares and underlying Shares

Name of Shareholders	Capacity	Interests in shares	Interest in underlying shares pursuant to derivative	Total interest in shares	Approximate percentage of the Company's issued share capital
Asia Pacific	Beneficial owner	1,374,222,000 (Note 1)	14,000,000 (Note 1)	1,388,222,000	59.49%
Value Partners Limited	Investment manager	120,000,000 (Note 2)	–	120,000,000	5.14%
Cheah Cheng Hye	Interest of controlled corporation	120,000,000 (Note 2)	–	120,000,000	5.14%
Pope Asset Management, LLC	Investment manager	116,958,800	–	116,958,800	5.01%

Notes:

1. These shares and underlying shares are held by Asia Pacific, a company incorporated in the British Virgin Islands, which is legally and beneficially owned by Mr. Ou Yaping.
2. These 120,000,000 shares are held by Value Partners Limited, a company which is held by 31.82% by Mr. Cheah Cheng Hye. Accordingly, Mr. Cheah Cheng Hye is deemed to be interested in these shares.

Directors' Report

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

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest supplier accounted for approximately 44.7% of the Group's total purchases and the Group's largest five suppliers accounted for approximately 65.0% of the Group's total purchases.

During the year, the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

None of the directors, their associates or any shareholders, which to the knowledge of the directors owned more than 5% of the Company's issued share capital, had an interest in the share capital of any of the five largest suppliers.

CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 December 2004 with the Code of Best Practice as set out by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in Appendix 14 to the Rule Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") which was in force prior to 1 January 2005.

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive directors, Messrs. Xin Luo Lin, Davin A. Mackenzie and Li Zhi Xiang. The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Director's as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued share as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws of Bermuda.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Ou Yaping

Chairman

Hong Kong, 31 March 2005

Auditors' Report



TO THE SHAREHOLDERS OF SINOLINK WORLDWIDE HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 35 to 97 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of The Companies Act of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2004 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

31 March 2005

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		(1,755,793)	(1,336,630)
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		(34,118)	(15,159)
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		(2,615)	(2,724)
Profit before taxation		505,274	805,247
Taxation	11	(39,385)	(48,654)
Profit before minority interests		465,889	756,593
Minority interests		(151,412)	(126,658)
Net profit for the year		314,477	629,935
Dividends	12	105,134	114,736
		HK cents	HK cents
Earnings per share	13		
Basic		13.61	28.15
Diluted		12.87	27.54

Consolidated Balance Sheet

At 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000 (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		3,546,256	1,309,473
		<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	811,559	669,056
		<u>1,603,606</u>	<u>1,064,647</u>
Net current assets		<u>5,148,272</u>	<u>2,676,994</u>
Total assets less current liabilities		<u>7,888,457</u>	<u>3,626,949</u>
Non-current liabilities			
Borrowings – amount due after one year	27	(3,570,142)	(565,655)
		<u>4,318,315</u>	<u>3,061,294</u>
Minority interests		<u>(1,888,445)</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	2,196,525	1,995,634
Shareholders' funds		<u>2,429,870</u>	<u>2,186,738</u>

The financial statements on pages 35 to 97 were approved and authorised for issue by the Board of Directors on 31 March 2005 and are signed on its behalf by:

Ou Yaping
Chairman

Tang Yui Man Francis
Chief Executive Officer

Balance Sheet

At 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
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	—	246,591
		<u>1,534,126</u>	<u>1,152,322</u>
Current assets			
Trade and other receivables		1,152	11,472
Investments in securities	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>

Ou Yaping
Chairman

Tang Yui Man Francis
Chief Executive Officer

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	(57,276)
	<hr/>
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	(92,241)
	<hr/>
At 31 December 2004	<u><u>2,429,870</u></u>

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 cost 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)

Consolidated Cash Flow Statement

For the year ended 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000 (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		231,922	571,831
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		1,786,879	277,754
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		(3,175)	—
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH		3,546,256	1,309,473

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.

Notes to the Financial Statements

For the year ended 31 December 2004

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Negative goodwill (Continued)

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.

Notes to the Financial Statements

For the year ended 31 December 2004

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of revenue (Continued)

Development properties (Continued)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Notes to the Financial Statements

For the year ended 31 December 2004

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock of properties (Continued)

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.

Notes to the Financial Statements

For the year ended 31 December 2004

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Commodity derivatives (Continued)

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

Notes to the Financial Statements

For the year ended 31 December 2004

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(A) Business segments (Continued)

Segment information about these businesses is presented below.

For the year ended 31 December 2004

	Property development HK\$'000	Gas fuel business HK\$'000	Electricity supplies HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER						
External sales	478,277	1,800,253	99,857	28,001	–	2,406,388
Inter-segment sales	–	–	–	1,684	(1,684)	–
	<u>478,277</u>	<u>1,800,253</u>	<u>99,857</u>	<u>29,685</u>	<u>(1,684)</u>	<u>2,406,388</u>
RESULT						
Segment result	<u>109,828</u>	<u>355,331</u>	<u>15,395</u>	<u>4,974</u>	<u>–</u>	<u>485,528</u>
Other operating income						33,566
Unallocated corporate expenses						<u>(89,973)</u>
Profit from operations						429,121
Finance costs						(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>

Inter-segment sales are charged at prevailing market prices.

Notes to the Financial Statements

For the year ended 31 December 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(A) Business segments (Continued)

At 31 December 2004

	Property development HK\$'000	Gas fuel business HK\$'000	Electricity supplies HK\$'000	Others HK\$'000	Consolidated HK\$'000
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					3,370,759
Consolidated total assets					9,492,063
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					111,715
Consolidated total liabilities					5,173,748
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	9,132	40,424	6,942	362	56,978

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(A) Business segments (Continued)

For the year ended 31 December 2003

	Property development HK\$'000	Gas fuel business HK\$'000	Electricity supplies HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER						
External sales	330,979	1,457,632	–	26,745	–	1,815,356
Inter-segment sales	–	–	–	9,542	(9,542)	–
	<u>330,979</u>	<u>1,457,632</u>	<u>–</u>	<u>36,287</u>	<u>(9,542)</u>	<u>1,815,356</u>
RESULT						
Segment result	<u>26,625</u>	<u>291,848</u>	<u>–</u>	<u>5,549</u>	<u>–</u>	<u>324,022</u>
Other operating income						25,511
Unallocated corporate expenses						<u>(43,616)</u>
Profit from operations						305,917
Finance costs						(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.

Notes to the Financial Statements

For the year ended 31 December 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(A) Business segments (Continued)

At 31 December 2003

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

(B) Geographical segments

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

6. OTHER OPERATING INCOME

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

7. PROFIT FROM OPERATIONS

	2004 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>36</u>

Notes to the Financial Statements

For the year ended 31 December 2004

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>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>1</u>	<u>1</u>

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

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

9. FINANCE COSTS

	2004 HK\$'000	2003 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	1,270	—
	<u>103,756</u>	<u>43,682</u>
Net interest receivable on interest rate swaps	(26,239)	—
	<u>77,517</u>	<u>43,682</u>
Less: Amount capitalised to properties under development for sale	(41,438)	(33,327)
Amount capitalised to construction in progress	(1,594)	—
	<u>34,485</u>	<u>10,355</u>
Bank charges	236	275
	<u>34,721</u>	<u>10,630</u>

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

Notes to the Financial Statements

For the year ended 31 December 2004

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	3,524	(13,569)
	<u>90,705</u>	<u>293,817</u>

11. TAXATION

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

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

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

11. TAXATION (Continued)

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.

Notes to the Financial Statements

For the year ended 31 December 2004

12. DIVIDENDS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Ordinary shares:		
Interim, paid – HK\$0.015 (2003: HK\$0.03) per share	34,781	57,276
Final, proposed – HK\$0.03 (2003: HK\$0.03) per share	<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:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i> (Restated)
Earnings for the purposes of basic earnings per share	314,477	629,935
Effect of dilutive potential shares:		
Interest on convertible note	–	489
Adjustment to the share of results of subsidiaries based on dilution of their earnings per share	<u>(14,560)</u>	<u>–</u>
Earnings for the purposes of diluted earnings per share	<u>299,917</u>	<u>630,424</u>

	2004	2003
	<i>Number of shares</i>	
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>

13. EARNINGS PER SHARE (Continued)

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2004

14. PROPERTY, PLANT AND EQUIPMENT

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

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2004

15. INTANGIBLE ASSET

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

COST

At 1 January 2004 and at 31 December 2004	10,035
-------------------------------------------	--------

AMORTISATION

At 1 January 2004	373
-------------------	-----

Provide for the year	502
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At 31 December 2004	875
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NET BOOK VALUES

At 31 December 2004	9,160
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At 31 December 2003	9,662
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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
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Arising on acquisition of subsidiaries	160,656
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Eliminated on partial disposal of interest in a subsidiary	(634)
------------------------------------------------------------	-------

At 31 December 2004	184,541
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AMORTISATION

At 1 January 2004	3,076
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Provided for the year	1,475
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Eliminated on partial disposal of interest in a subsidiary	(130)
------------------------------------------------------------	-------

At 31 December 2004	4,421
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NET BOOK VALUES

At 31 December 2004	180,120
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At 31 December 2003	21,443
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The goodwill, which arose from acquisition of subsidiaries, is amortised on a straight line basis over its estimated useful life of twenty years.

Notes to the Financial Statements

For the year ended 31 December 2004

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
	<u> </u>
At 31 December 2004	41,536

RELEASED TO INCOME

At 1 January 2004	547
Released during the year	864
	<u> </u>
At 31 December 2004	1,411

CARRYING AMOUNT

At 31 December 2004	<u>40,125</u>
At 31 December 2003	<u>18,022</u>

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

18. INTERESTS IN SUBSIDIARIES

THE COMPANY

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

18. INTERESTS IN SUBSIDIARIES (Continued)

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

Notes to the Financial Statements

For the year ended 31 December 2004

19. INTERESTS IN ASSOCIATES (Continued)

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><u>35,300</u></u>	<u><u>—</u></u>
At 31 December 2003	<u><u>49,942</u></u>	<u><u>(21,811)</u></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 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Unlisted debt securities	—	50,000	—	50,000
Investment securities				
Unlisted shares, at cost	169,613	82,906	—	—
Club debentures, at cost	1,486	1,011	—	—
	171,099	83,917	—	—
Less: Impairment loss recognised	(25,000)	—	—	—
	146,099	83,917	—	—
Other investments, at market value				
Listed shares	6,590	126	—	—
Managed funds	42,986	—	—	—
	49,576	126	—	—
	195,675	134,043	—	—
Carrying amount analysed for reporting purposes				
Non-current	146,099	83,917	—	—
Current	49,576	50,126	—	50,000
	195,675	134,043	—	50,000

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.

Notes to the Financial Statements

For the year ended 31 December 2004

21. STOCK OF PROPERTIES

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

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

22. INVENTORIES

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Gas fuel	14,430	23,442
Fuel oil	62,367	—
Consumable stores	25,305	12,975
	<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 HK\$'000	2003 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	494	5,535
	<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 HK\$'000	2003 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	15,046	13,940
	<u>105,381</u>	<u>126,235</u>

Notes to the Financial Statements

For the year ended 31 December 2004

26. AMOUNTS DUE TO SUBSIDIARIES

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

27. BORROWINGS

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Bank loans		
– secured	598,485	219,953
– unsecured	1,666,410	516,770
Other loans – unsecured	150,608	972
Exchangeable note (Note a)	62,500	125,000
Convertible bonds (Note b)	378,988	372,016
Guaranteed senior notes (Note c)	1,524,710	–
	<u>4,381,701</u>	<u>1,234,711</u>
The maturity of the above borrowings is as follows:		
On demand or within one year	811,559	669,056
More than one year but not exceeding two years	975,392	191,020
More than two years but not exceeding five years	1,029,722	374,635
More than five years	1,565,028	–
	<u>4,381,701</u>	<u>1,234,711</u>
Less: Amount due within one year shown under current liabilities	<u>(811,559)</u>	<u>(669,056)</u>
Amount due after one year	<u>3,570,142</u>	<u>565,655</u>

27. BORROWINGS (Continued)

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

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

Notes to the Financial Statements

For the year ended 31 December 2004

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	(1,270)	–
	<u>34,290</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
	<u>1,911,035,200</u>	<u>191,104</u>
At 31 December 2003	1,911,035,200	191,104
Bonus issue of shares	383,067,040	38,306
Issue of shares on the exercise of share options	39,350,000	3,935
	<u>2,333,452,240</u>	<u>233,345</u>
At 31 December 2004	2,333,452,240	233,345

29. SHARE CAPITAL (Continued)

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.

Notes to the Financial Statements

For the year ended 31 December 2004

30. RESERVES

	Share premium HK\$'000	Asset revaluation reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	General reserves HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE GROUP									
At 1 January 2003	332,402	8,851	(6,215)	2,591	60,031	781	367,782	628,049	1,394,272
Exchange differences arising on translation of financial statements of overseas operations	-	-	(724)	-	-	-	-	-	(724)
Premium arising on issue of shares	38,457	-	-	-	-	-	-	-	38,457
Addition during the year	-	-	122	-	483	-	-	-	605
Realised on disposal of subsidiaries	-	(64)	(19)	-	(75)	32	-	-	(126)
Realised on partial disposal of a subsidiary	-	(335)	87	41	(295)	(152)	-	-	(654)
Realised on disposal of an associate	-	(5,323)	(309)	-	(3,165)	(58)	-	-	(8,855)
Transfer	-	-	-	-	958	-	-	(958)	-
Net profit for the year	-	-	-	-	-	-	-	629,935	629,935
Dividend	-	-	-	-	-	-	-	(57,276)	(57,276)
At 31 December 2003 - as restated	<u>370,859</u>	<u>3,129</u>	<u>(7,058)</u>	<u>2,632</u>	<u>57,937</u>	<u>603</u>	<u>367,782</u>	<u>1,199,750</u>	<u>1,995,634</u>
At 31 December 2003 - as previously reported	370,859	2,470	(6,885)	2,672	57,354	454	367,782	1,347,865	2,142,571
- prior period adjustments (note 3)	<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>

30. RESERVES (Continued)

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

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.

Notes to the Financial Statements

For the year ended 31 December 2004

30. RESERVES (Continued)

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

31. ACQUISITION OF SUBSIDIARIES

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

	2004 HK\$'000	2003 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)
	<u>589,448</u>	<u>26,411</u>
Goodwill	160,656	–
Negative goodwill	(22,646)	(6,954)
	<u>727,458</u>	<u>19,457</u>
Satisfied by:		
Cash paid	272,704	15,716
Interest in an associate	438,259	–
Amounts due to minority shareholders	16,495	3,741
	<u>727,458</u>	<u>19,457</u>
Net cash inflow (outflow) arising on acquisition:		
Cash consideration	(272,704)	(15,716)
Bank balances and cash acquired	908,296	543
Net inflow (outflow) of cash and cash equivalents in respect of acquisition of subsidiaries	<u>635,592</u>	<u>(15,173)</u>

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

Notes to the Financial Statements

For the year ended 31 December 2004

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

33. MAJOR NON-CASH TRANSACTIONS

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

34. RELATED PARTY TRANSACTIONS

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

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

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

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

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For the year ended 31 December 2004

35. SHARE OPTION SCHEMES

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

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

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

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

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

35. SHARE OPTION SCHEMES (Continued)

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

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

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

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

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

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

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

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

Nominal consideration for options granted during the year was received.

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For the year ended 31 December 2004

35. SHARE OPTION SCHEMES (Continued)

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	261,484	17,256

37. CONTINGENT LIABILITIES (Continued)

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	149,673	—
	<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	296,004	881,292
	<u>677,363</u>	<u>1,419,558</u>
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	191,488	—
	<u>1,394,859</u>	<u>1,605,919</u>

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

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For the year ended 31 December 2004

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

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

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

	THE GROUP		THE COMPANY	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 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	14,518	18,719	–	–
	<u>45,764</u>	<u>37,205</u>	<u>3,480</u>	<u>1,105</u>

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

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

40. PLEDGE OF ASSETS

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

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

41. POST BALANCE SHEET EVENTS

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

Notes to the Financial Statements

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42. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2004 are as follows:

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

42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Property development and management division (Continued)					
Shengzhen 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

Notes to the Financial Statements

For the year ended 31 December 2004

42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Property development and management division (Continued)					
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
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

42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Gas fuel business division (Continued)					
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

Notes to the Financial Statements

For the year ended 31 December 2004

42. PRINCIPAL SUBSIDIARIES (Continued)

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

42. PRINCIPAL SUBSIDIARIES (Continued)

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

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For the year ended 31 December 2004

42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Gas fuel business division (Continued)					
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
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

42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Gas fuel business division (Continued)					
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

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42. PRINCIPAL SUBSIDIARIES (Continued)

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	
Electricity supplies division					
Enerchina Holdings Limited 威華達控股有限公司	Bermuda	HK\$22,909,339	24.96%	25.14%	Investment holding
Enerchina Oil and Petrochemical Company Limited	BVI	HK\$2	—	50.10%	Procurement of fuel oil
Enerchina Resources Limited	Hong Kong	HK\$2	—	50.10%	Provision of management services
Hanka Limited	Hong Kong	HK\$2	—	50.10%	Holding of club membership
New China Control Systems Limited	BVI	US\$1	—	50.10%	Investment holding
Rado International Limited	BVI	US\$1	—	50.10%	Investment holding
Roxy Link Limited	BVI	HK\$2	—	50.10%	Investment holding
Shenzhen Fuhuade Electric Power Co., Ltd. 深圳福華德電力有限公司	PRC – Sino-foreign equity joint venture	RMB224,500,000	—	35.07%	Electricity supplies

42. PRINCIPAL SUBSIDIARIES (Continued)

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	
Electricity supplies division <i>(Continued)</i>					
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.

Particulars of Major Properties

At 31 December 2004

PROPERTIES HELD FOR DEVELOPMENT/SALE

	Description	Type of use	GFA (M ²)	Effective % held	Stage of completion	Anticipated completion
1.	Car Park at Club House, Sinolink Garden Taining Road, Luohu District Shenzhen, Guangdong Province	Car Park	184	80%	Completed in 1998	N/A
2.	Certain residential units at Sinolink Garden, Luohu District, Shenzhen, Guangdong Province	Residential	3,996	80%	Completed in 2001 and 2003	N/A
3.	Sinolink Garden No. 8 Dongxiao Road, Taian Road, Luohu District, Shenzhen, Guangdong Province	Residential	7,422	80%	Completed in 2003	N/A
4.	Sinolink Garden Phase IV, <i>The Oasis</i> , Western District Taining Road, Taibai Road, Buxin Road, Luohu District, Shenzhen, Guangdong Province	Residential/ commercial	114,744	80%	Topping completed	2005
5.	Sinolink Garden Phase V Eastern District Taining Road, Taibai Road, Buxin Road, Luohu District, Shenzhen, Guangdong Province	Residential/ commercial	228,574	80%	Design in progress	2007
6.	Mangrove West Coast Development Land lot no. 7207-0026 Bin Hai Dao Dao North, Sha He Dong East, Nanshan, Shenzhen, Guangdong Province	Residential	249,300	87%	Topping completed	2005