百仕達控股有限公司

SINOLINK WORLDWIDE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1168

Annual Report 2006

CORPORATE INFORMATION

BOARD OF DIRECTORS	
Executive Directors	Ou Yaping *(Chairman)* Tang Yui Man Francis *(Chief Executive Officer)* Chen Wei Law Sze Lai
Independent Non-executive Directors	Davin A. Mackenzie Tian Jin Xin Luo Lin
AUTHORISED REPRESENTATIVES	Ou Yaping Law Sze Lai
QUALIFIED ACCOUNTANT	Tiong Check Hiong, Jacqueline
COMPANY SECRETARY	Lo Tai On
AUDIT COMMITTEE	Davin A. Mackenzie Tian Jin Xin Luo Lin *(Chairman)*
REMUNERATION COMMITTEE	Davin A. Mackenzie Ou Yaping Xin Luo Lin *(Chairman)*
AUDITORS	Deloitte Touche Tohmatsu *Certified Public Accountants* 35th Floor, One Pacific Place 88 Queensway Hong Kong
REGISTERED OFFICE	Clarendon House 2 Church Street, Hamilton HM 11 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
PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE	Butterfield Fund Services (Bermuda) Limited Rosebank Centre, 11 Bermudiana Road Pembroke, HM 08 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 Hopewell Centre, 183 Queen's Road East Wanchai, Hong Kong
LEGAL ADVISORS	
As to Hong Kong Law	Norton Rose 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) Limited Bank of China (Shenzhen) Limited Hang Seng Bank Limited Industrial and Commercial Bank of China (Asia) Ltd. Industrial and Commercial Bank of China, Shenzhen Branch

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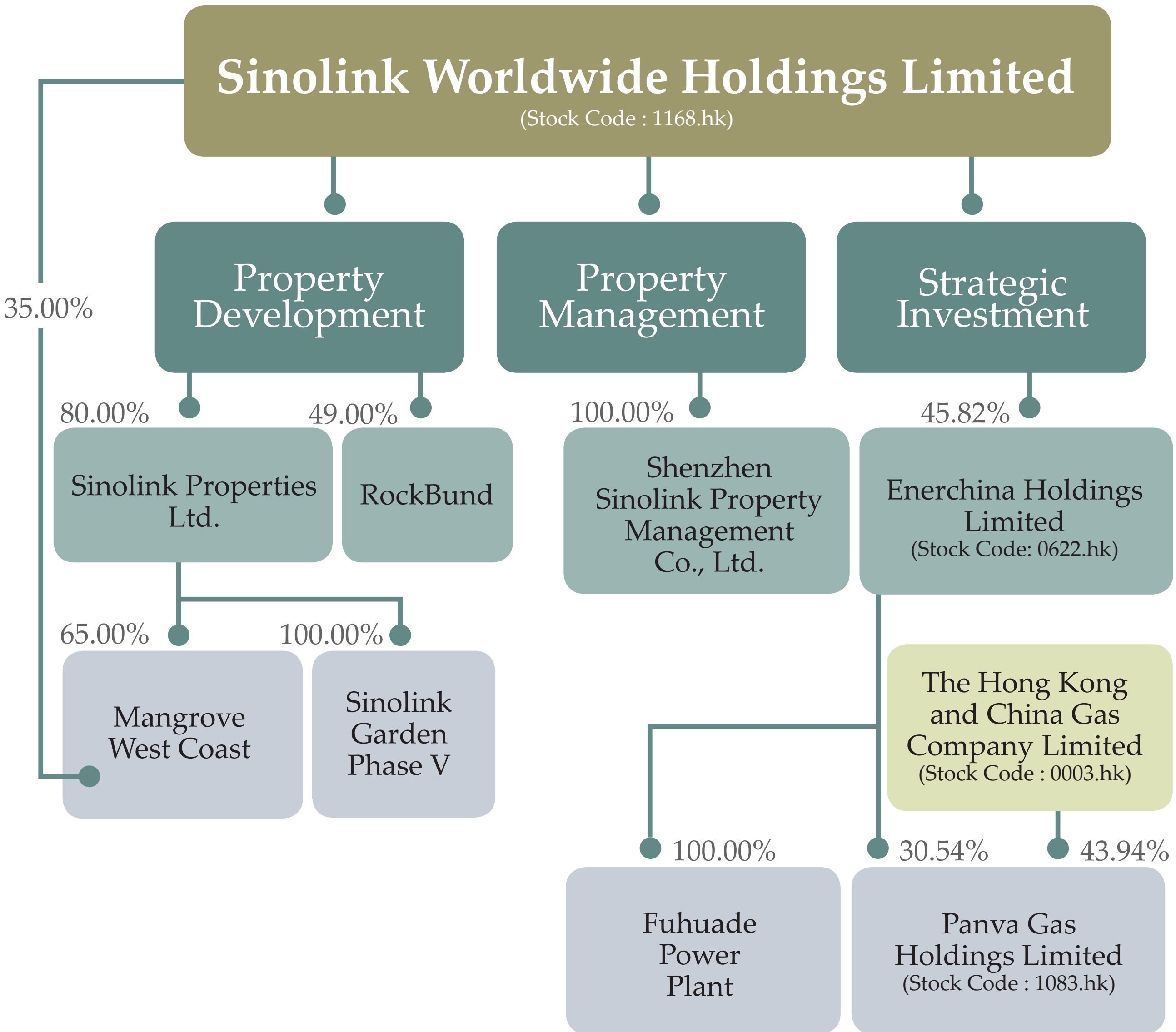
GROUP STRUCTURE

(As at the date of this report)



CHAIRMAN'S STATEMENT

Enhance Value

Create Value

Identify Value

Ou Yaping
Chairman

On behalf of the board of directors (the "Board") of Sinolink Worldwide Holdings Limited ("Sinolink" or the "Company"), I am pleased to report that the Company and its subsidiaries (collectively referred as the "Group") achieved outstanding results for the year ended 31 December 2006.

BUSINESS REVIEW

For the year ended 31 December 2006, the Group achieved excellent results in its core business in property development, investment and management. Turnover from continuing operations increased by 102% to HK$2,326.7 million and profit attributable to equity holders of the Company increased by 43% to HK$962.4 million. Basic earnings per share increased by 20% to HK33.99 cents. The Board has recommended to distribute a final dividend of HK3.5 cents per share (the "Share") in respect of the year ended 31 December 2006. The Board has also recommended a bonus issue of new shares on the basis of one new Share for every eight existing shares of the Company (the "Shares") held by the shareholders of the Company.

Property Business

2006 was an exciting yet challenging year for property developers in China. On the one hand, robust economic growth and increasing purchasing power led to the unrelenting demand for improved housing environment. Overseas investors flocked to China on a shopping spree in anticipation of the Renminbi's appreciation. Demand for

Mangrove West Coast, Shenzhen

Sinolink Garden Phase V "Oasis Plaza", Shenzhen

RockBund, Shanghai

CHAIRMAN'S STATEMENT

new properties was immense and prices continued to escalate. On the other hand, in an attempt to prevent the property market from overheating, China's central government decided to introduce a new round of macroeconomic austerity measures.

China's economic development is among the fastest in the world, with gross domestic product ("GDP") growing at an annual average rate of 9.4% for the past 25 years. With the growth in the economy, the population of wealthy and high income families, especially those in cities along the coast within easy reach of Shanghai, Beijing and Guangzhou have grown rapidly and the demand for improved living standards have continued to rise.

China's State Council issued a new round of macroeconomic austerity measures in May 2006 with an aim to easing the upward pressure on property prices. These policies focused on both the supply and demand of residential properties. From 1 June 2006, capital gains tax is imposed on the sale of homes that have been owned for less than five years, which is expected to impact on both short-term and medium-term property investors. Also, units smaller than 90 square metre must account for at least 70% of the total floor space in any new residential housing project. By the end of 2006, central government decided to strictly enforce the collection of Land Appreciation Tax (LAT) which policy has been in place since 1993.

We see these as the continuation of the macroeconomic austerity measures announced in 2005 with the ultimate aim of fostering a healthy property market in the long run. Despite its well intentioned motives, the effect on the property market was immediate and significant.

Whilst the Mangrove West Coast, the Group's flagship property development in Shenzhen, recorded remarkable sales during the first half of 2006, the macroeconomic austerity measures had the effect of slowing down the sales during the traditionally busy summer period because many potential buyers took a "wait-and-see" attitude. However, sales activities soon picked up in the last quarter of 2006 and the selling price continued to appreciate. By the end of 2006, the monthly average selling price of the Mangrove West Coast was 65% higher than the initial launch price in May 2005.

A winning entry from the Mangrove West Coast photo competition

CHAIRMAN'S STATEMENT

The Group joined forces with the Rockefeller Group to develop *RockBund*, a 94,080 square metre urban mix-use redevelopment project at the historic confluence of the Hangpu River and Suzhou Creek in downtown Shanghai. The project is registering good progress in line with the overall timetable for completion. Our cooperation with the Rockefeller Group underscores our Group's ability to develop landmark projects with international partners.

In Shenzhen, the final phase of Sinolink Garden, the "Oasis Plaza" has commenced foundation works and is expected to benefit from the continued demand for high end residential units when it comes on stream.

Other Strategic Investments

During the first half of 2006, the Group completed a corporate reorganization to redirect its focus in the property development, investment and property management businesses, by declaring a special interim dividend to be satisfied by way of a distribution in specie of the shares of Enerchina Holdings Limited ("Enerchina Shares") held by the Company. The distribution in specie was in the proportion of 5 Enerchina Shares for every 10 Shares held by the shareholders of the Company on 22 March 2006.

Following this distribution of Enerchina Shares, the Group's shareholding in Enerchina Holdings Limited ("Enerchina", stock code: 622) was decreased from 74.79% to 45.39% and Enerchina became an associate of the Company. As such, the results and performance of Enerchina is accounted for under the equity accounting method.

The year 2006 saw continued challenges for the electricity generation business as its direct operating expenses continued to increase due to the escalating fuel cost, putting Enerchina's power generation business under enormous pressure. Through the efforts of the management in improving productivity and strengthening fuel procurement and inventory control, the gross profit margin of power generation for the year increased slightly by 2.1% as compared to 2005.

In line with the government's strategy to use cleaner and more environmentally friendly fuel, Enerchina has commenced the conversion of the power plant to using natural gas. The conversion is progressing as planned and is expected to be completed in 2007.

The Group's investment in the gas fuel business is through Enerchina's subsidiary Panva Gas Holdings Limited ("Panva Gas", stock code: 1083). The year 2006 marked a breakthrough for the business. Panva Gas acquired equity interests in 10 PRC companies and took assignment of their shareholder loans from Hong Kong and China Gas (China) Limited ("HKCG"). In consideration for the acquisition, Panva Gas issued approximately 773 million new shares to HKCG, which represented approximately 44% of the enlarged issued share capital of Panva Gas. Henceforth, Panva Gas has become an associate company of both Enerchina and HKCG with the latter as the major shareholder of Panva Gas.

Effective 1 March 2007, Enerchina's shareholding in Panva Gas was decreased from 57.94% to 30.5%. The acquisition has provided Panva Gas with the opportunity of gaining a higher market share in the northeastern and northern regions in the PRC.

CHAIRMAN'S STATEMENT

PROSPECTS

Property Business

Looking ahead, sustainable economic growth in China will be the key driver for the growth in the property sector. We anticipate further macroeconomic austerity measures to be unveiled in 2007, which will be conducive to a healthy and lasting development of the property market in China. The Shenzhen-Hong Kong Western Corridor is scheduled to open in July 2007 and is expected to shorten significantly traveling time between the two cities, further boosting sales and price of Mangrove West Coast.

RockBund is our first step in expanding our horizons beyond Shenzhen. Completion is expected to be on schedule by the 2010 Shanghai World Expo and initial contacts with anchor tenants for the commercial and retail space have already commenced. We expect *RockBund* to revitalize the northern tip of the Bund and create the most fashionable neighborhood in Shanghai.

The Oasis Plaza will continue to add reputable brands as anchor tenants and pre-sale of the residential units is planned for early 2008, subject to market conditions. The latest plans for the Shenzhen government to locate an underground subway exit at our development should prove beneficial to the project.

We shall continue to focus our future developments in China's first tier cities, namely Shenzhen, Shanghai and Beijing. These are cities with strong GDP growth, sophisticated buyers and high purchasing power. We also plan to capitalize on our successful Sinolink Garden model and established brand name in our future developments.

To ensure growth in our property development business, the Group is actively negotiating on new development projects to add to its portfolio. The Group expects to be able to secure such sites during 2007.

Although the Group's future focus remains in residential development projects, we are also expanding our investment property portfolio to secure a stable income stream as well as capital appreciation potential for the Group in the future. Upon the completion of *RockBund* and *The Oasis Plaza*, our investment property portfolio is expected to increase six fold in terms of gross floor area.

Other Strategic Investments

The high heavy oil price, though somewhat stabilized, will remain the key challenge for Enerchina. Although subsidies from government ensure operating profitability of the power generation business, Enerchina is exploring alternatives to reducing reliance on heavy oil through the conversion to natural gas, which is a cheaper and cleaner fuel source. Once conversion to using natural gas is completed and the long term supply of natural gas is secured, we expect Enerchina to pursue expansion plans to increase the power generation capacity, from the existing total installed capacity of 665 MW to 1,400 MW.

In March 2007, HKCG became the controlling shareholder of Panva Gas. The Group is excited about the prospects of operational synergies as well as the added value that HKCG will bring to the business. The acquisition of assets from HKCG is poised to enhance shareholder's value and maximize the return to Panva Gas. We expect Enerchina to reap the benefits in its capacity as shareholder of Panva Gas, ultimately generating substantial returns to the Group.

CHAIRMAN'S STATEMENT

In the coming year, Panva Gas will work closely with HKCG to create operational synergies for both parties by adopting a two-pronged approach. While Panva Gas will make new project development a top priority, it will capitalise on the support of HKCG to enhance internal controls, engineering and safety management and to obtain higher operational efficiency.

The Group remains positive on the outlook of the energy businesses in China with continued demand for power and growth potential in the downstream gas fuel businesses. The Group will continue its strategic investment in these businesses and explore opportunities to extract further value from such investments.

APPRECIATION

Our team approach, hard work and dedication of the Group's management and staff are what made our achievements possible. On behalf of our shareholders and my fellow board members, I would like to record my heartfelt thanks to them all.

Ou Yaping
Chairman

Hong Kong, 19 April 2007

CHIEF EXECUTIVE OFFICER'S REPORT

The opening ceremony of the Mangrove West Coast showroom in Central

Mangrove West Coast event – Golf Tournament

Mangrove West Coast event – Musical Performance

Tang Yui Man Francis
Chief Executive Officer

BUSINESS REVIEW

In April 2006, the Group reorganised to focus its businesses in property development, investment and property management by declaring a special interim dividend to be satisfied by way of a distribution in specie of Enerchina Shares held by the Company. The distribution in specie was in the proportion of 5 Enerchina shares for every 10 shares held by the shareholders of the Company on 22 March 2006. The relevant resolutions in respect of this special dividend were passed on 10 April 2006, reducing the shareholding of the Group in Enerchina from 74.79% to 45.39%. As such, the results and performance of Enerchina is accounted for in the Group's annual financial statements under the equity accounting method.

For the year ended 31 December 2006, the Group achieved remarkable results with turnover from continuing operations of HK$2,326.7 million, representing an increase of 102% as compared to the restated turnover of 2005. Gross profit increased to HK$1,215.2 million for the year ended 31 December 2006, an increase of 160% as compared to the restated gross profit of 2005. Profit for the year attributable to equity holders of the Company increased to HK$962.4 million, representing an increase of 43% as compared to 2005. Basic earnings per share were HK33.99 cents, representing an increase of 20% as compared to 2005.

The outstanding performance is attributable to the strong contribution from the Group's property sales, namely, the sale of units in *The Mangrove West Coast* in Shenzhen, and the gain on disposal of part of the electricity generation and gas fuel businesses.

CHIEF EXECUTIVE OFFICER'S REPORT

Mr. Francis Tang (centre) and partners at the Mangrove West Coast showroom opening ceremony

Property Sales

For the year ended 31 December 2006, the Group recorded a turnover of HK$2,239.6 million from property sales, representing an increase of 102% as compared to 2005. The Group sold a total of approximately 97,559 square metres in gross floor area during the year as compared to 139,600 square metres for 2005. Property sales in 2006 were mainly derived from the sale of *The Mangrove West Coast* whilst 2005 property sales were mainly derived from the sale of *The Oasis*. *The Mangrove West Coast* is a development project in Shenzhen with a total gross floor area of approximately 249,591 square metres and 1,302 units which was completed and ready for occupancy in June 2006.

Gross profit increased by 159% to HK$1,161.7 million in 2006 as compared to HK$448.4 million in 2005 as a result of the significantly higher contribution margin and average selling price of *The Mangrove West Coast* as compared to that of *The Oasis*. The average selling price for *The Mangrove West Coast* was approximately RMB25,315 per square metre and the average selling price for *The Oasis* was approximately RMB9,206 per square metre. There was a significant increase in the average selling price of *The Mangrove West Coast* from RMB21,875 per square metre in 2005 to RMB28,340 per square metre in 2006, representing an increase of approximately 30% or RMB6,465 per square metre.

Property Rental

For the year ended 31 December 2006, turnover from the Group's rental properties was HK$15.3 million, representing an increase of 34% as compared to 2005. The investment properties consist of mainly retail space in Sinolink Garden with a total gross floor areas of 23,337 square metres and approximately 3,280 parking spaces.

Properties Under Development

As at 31 December 2006, the Group has the following properties under development:

(1) Sinolink Garden Phase Five, *The Oasis Plaza*, is a development project with a total site area of 40,786 square metres and a total gross floor area of 226,231 square metres. The Group intends to develop this development project into a residential and commercial complex. We have recently signed on Multiplex Cinema Ltd as our anchor tenant. The construction works have commenced during the year and is expected to be completed by the second half of 2008;

CHIEF EXECUTIVE OFFICER'S REPORT

(2) Shanghai Bund de Rockefeller Group or *RockBund*, is a joint development project with the Rockefeller Group International Inc.. The project has a total site area of 18,000 square metres and total gross floor area of 94,080 square metres. The Group intends to redevelop this historical site into an upscale mixed-use neighborhood, with residential, commercial, retail, offices and hotel facilities. This development project is currently under planning and design. It is expected to be completed before the 2010 Shanghai World Expo and initial contacts with anchor tenants have already commenced.

Major Associates

Following the distribution in specie in April 2006, Enerchina and Panva Gas have become the major associates of the Group.

For the year ended 31 December 2006, the electricity generation business of Enerchina recorded a turnover of HK$1,161.3 million, a decrease of 10% and sold 1,946 million kwh of electricity, representing a decrease of 13% as compared to 2005. The decrease was mainly due to the technical malfunction of one of our power generating units, which was shut down for repairs from July through to December 2006. The manufacturer of this generating unit has completed the repairs and all the power generating units are functioning normally in the first quarter of 2007. We have commenced the claims procedures with both our insurance provider and the manufacturer to recover the losses incurred as a result of the breakdown. As the final claims have not been finalised and received yet, we have not included the claims amount for the year ended 31 December 2006.

The year 2006 saw continued challenges for the electricity generation business as its direct operating expenses continued to increase due to the escalating fuel cost, putting Enerchina's power generation business under enormous pressure. Through the efforts of the management in improving productivity and strengthening fuel procurement and inventory control, the gross profit margin of power generation for the year increased slightly by 2.1% as compared to 2005. At present, Enerchina is continuing with conversion works on the existing power plants to add natural gas as an alternative fuel source to heavy oil, in an effort to reduce the cost of generating electricity. The conversion works is expected to be completed in 2007.

For the year ended 31 December 2006, the gas fuel business in Panva Gas recorded a turnover of HK$2,642.9 million, an increase of 13.7% over 2005. The gas fuel business was further divided into sale of piped gas, gas pipeline construction and the sale of Liquefied Petroleum Gas. Turnover contribution from each of these activities amounted to HK$374.3 million, HK$331.2 million, and HK$1,900.8 million, accounting for 14.2%, 12.5%, and 71.9%, respectively, of Panva Gas's turnover. The rapid growth of the piped gas business underlines Panva Gas's shift towards a utility business model with the sale of piped gas becoming a significant source of income.

Its gross profit decreased by 41.3% to HK$404.7 million and the loss attributable to shareholders amounted to HK$256.3 million. The net loss was due to the loss in fair value on the two interest rate swaps of approximately HK$124.2 million, the increase in interest expenses of approximately HK$4.4 million, the increase in the distribution and administrative expenses of approximately HK$172.5 million and a fewer number of new piped gas user connections recorded during the year when compared to 2005.

On 4 December 2006, Panva Gas and HKCG announced that Panva Gas has agreed to acquire the entire issued share capital of each of the eight companies held by HKCG (collectively the "Target Companies"), which hold equity interests in ten PRC companies that are engaged in piped gas fuel businesses. Panva Gas also agreed that it would take assignment of the outstanding loans due from the Target Companies to HKCG or its associates, being approximately HK$568.1 million, together with all interest accrued thereon, if any. In consideration of the acquisition (which includes taking assignment of the shareholder loans), Panva Gas agreed to issue approximately 773 million new shares to HKCG, which represented 43.97% of the enlarged issued share capital of Panva Gas. The resolutions related to the agreement were approved at the

CHIEF EXECUTIVE OFFICER'S REPORT

extraordinary general meeting of Panva Gas and the special general meeting of Enerchina and the completion of the agreement took place on 1 March 2007, upon which HKCG became the single largest shareholder of Panva Gas and Enerchina's shareholding in Panva Gas was reduced from 57.94% to 32.47%.

In order to maintain the public float of Panva Gas at the minimum level of 25%, on the same date, Enerchina placed down 33,918,400 shares in Panva Gas at the placing price of HK$3.77, raising approximately HK$126.1 million. The placement further reduced Enerchina's shareholding in Panva Gas to 30.54%.

PROSPECTS

In 2006, China maintained its rapid pace of economic expansion with GDP growth reaching 10.7%. This strong growth accompanied by moderate inflation is expected to continue in 2007. During the year, the Chinese government introduced and implemented several rounds of new austerity measures on the property market in relation to the supply of land, financing, tax collections and industry regulation, aiming to further curtail the surging property prices, property speculation and investment activities. These measures are expected to be implemented in 2007. The Group believes that these measures will not have an adverse impact on the overall property market in the medium to long term as the market is supported by solid fundamentals and strong underlying demand.

The Group remains committed to its long term development strategy in the first tier cities of the PRC, and will continue to expand its portfolio in line with its strategy. We see the effects of the austerity measures as an opportunity to accelerate our growth by capitalizing on our "Sinolink" brand name and business model. The Group is also planning to increase its investment property portfolio so as to secure a stable income stream and position the Group for capital appreciation in the future.

In 2007, the Group will continue the sale of *The Mangrove West Coast* in Shenzhen. The prospects for this exceptional and distinctive project are positive given the continuing economic growth, rising disposable income and scarce supply of new high quality properties in Shenzhen. We expect demand and average selling prices to continue to rise in 2007.

Our other projects, including our first venture in Shanghai, *RockBund*, and *The Oasis Plaza* in Shenzhen, are progressing well, and we will continue to enhance returns by seeking new investment opportunities in these and other cities.

Overall, the Group remains positive and confident about the property market and its prospects in the PRC. We believe that our established brand name, innovative and quality designs, experienced management and effective project management team will enable us to meet new challenges and seize new opportunities ahead.

We remain positive on the prospects of our strategic investments in Enerchina and Panva Gas, despite a challenging year in 2006. Together with HKCG, Panva Gas will be able to strengthen its market position and become the leading piped gas operator in the PRC. Panva Gas will also benefit from the financial strength, management experience and operational and technical expertise of HKCG and achieve potential operational synergies. We expect Enerchina to benefit in its capacity as shareholder of Panva Gas and ultimately generate substantial contribution to the Group. The Group will seek to capitalize on its valuation and enhance returns to our shareholders.

FINANCIAL REVIEW

The Group's total borrowings decreased from HK$3,811.8 million as at 31 December 2005 to HK$492.5 million as at 31 December 2006. The net decrease is mainly due to repayment of bank and other loans of HK$668.9 million and the de-consolidation of the energy and gas fuel businesses since April 2006. The net cash to equity ratio (i.e total debt less cash and bank deposits over shareholders' equity) was 1%. Bank borrowings are used to finance the property development projects and are mainly at floating interest rates.

CHIEF EXECUTIVE OFFICER'S REPORT

Total assets pledged in securing these loans have a net book value of HK$624.1 million as at 31 December 2006. The borrowings of the Group are denominated in RMB. 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; however, the Board is evaluating and closely monitoring the potential impact of RMB appreciation and interest rates movement on the Group.

The Group's cash and cash equivalents amounted to HK$515.9 million (including pledged deposits) as at 31 December 2006 are mostly denominated in RMB, Hong Kong dollars and US dollars.

CAPITAL MARKET EVENT

On 25 January 2006, the Company entered into a Placing and Subscription Agreement under which 189,456,448 shares were placed to various independent placees at the Placing Price of HK$2.34, and raised HK$425.8 million, net of expenses from this placing to finance the Group's existing property development activities, and for general working capital purposes.

Capital Commitments

As at 31 December 2006, the Group has capital commitments in respect of the acquisition of properties under development amounted to HK$760.1 million and in respect of unpaid capital contribution of investment projects amounted to HK$91.9 million.

Contingent Liabilities

Guarantees given to banks as security for the mortgage loans arranged for the purchases of the Group's properties amounted to HK$165.6 million.

FINAL DIVIDEND AND BONUS ISSUE OF SHARES

The Board has recommended the payment of a final dividend for the year ended 31 December 2006 of HK$0.035 per Share of HK$0.10 each in the capital of the Company amounting to HK$100,579,804.08 to shareholders whose names appear on the register of members of the Company on Wednesday, 23 May 2007. Upon approval by the shareholders of the Company at the forthcoming annual general meeting of the Company ("AGM") to be held on Wednesday, 23 May 2007, the final dividend will be paid on or before Thursday, 31 May 2007.

The Board has also recommended a bonus issue of new Shares (the "Bonus Shares") to shareholders of the Company on the basis of one new Share for every eight existing Shares held by the shareholders whose names appear on the register of members of the Company on Wednesday, 23 May 2007 (the "Proposed Bonus Issue"). The Bonus Shares will be issued and credited as fully paid and will rank pari passu with the then issued Shares in all respects with effect from the date of issue, except that they are not entitled to the proposed final dividend for the year ended 31 December 2006 as mentioned above.

The Proposed Bonus Issue is conditional upon: (i) the passing of the relevant ordinary resolution to approve the Proposed Bonus Issue at the AGM; and (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting or agreeing to grant the listing of and permission to deal in the Bonus Shares to be issued pursuant to the Proposed Bonus Issue.

Subject to fulfillment of the above conditions, certificates for the Bonus Shares are expected to be despatched to shareholders on or about Thursday, 31 May 2007. A notice of AGM enclosed in a circular of the Company containing, among other things, ordinary resolution to approve the Proposed Bonus Issue will be despatched to shareholders of the Company on or about Monday, 30 April 2007.

CHIEF EXECUTIVE OFFICER'S REPORT

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 18 May 2007 to Wednesday, 23 May 2007, both days inclusive, during which period no share transfer will be effected. In order to qualify for the final dividend and the Proposed Bonus Issue, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 17 May 2007.

Employees and Remuneration Policies

As at 31 December 2006, the Group employed approximately 791 full time employees for its principal activities. The Group recognizes the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme adopted by the Group.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude to all staff for their devoted efforts and hard work.

By Order of the Board

Tang Yui Man Francis
Chief Executive Officer

Hong Kong, 19 April 2007

DIRECTORS AND OFFICERS

EXECUTIVE DIRECTORS


Ou Yaping


Tang Yui Man Francis


Chen Wei


Law Sze Lai

Mr. Ou Yaping, aged 45, was appointed as the chairman and an executive director of the Company in December 1997. Mr. Ou is the founder and the indirect shareholder of the Group. He is also the chairman and an executive director of Enerchina and an executive director of Panva Gas. 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. Mr. Ou was previously employed by a number of trading companies and investment companies in the PRC and Hong Kong. Mr. Ou has over 21 years of experience in investing, trading and corporate management. He is responsible for the overall business development, management and strategic development of the Group. He is also a director of Asia Pacific Promotion Limited ("Asia Pacific"), a substantial shareholder of the Company, whose interest in Shares of the Company is disclosed in section "Substantial Shareholders".

Mr. Tang Yui Man Francis, aged 44, was appointed as the chief executive officer in 2002 and an executive director of the Company in September 2001. He is also an executive director of Enerchina and an alternate director to Mr. Ou Yaping of Panva Gas. Mr. Tang holds a Bachelor's 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 45, was appointed as an executive director of the Company in December 1997. He is also an executive director of Panva Gas. Mr. Chen holds a Bachelor of Engineering Management degree from the Beijing Institute of Technology in the PRC. Mr. Chen was previously employed by a number of large organisations and has over 21 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.

Mr. Law Sze Lai, aged 64, was appointed as an executive director of the Company in December 1997. He is also an executive director of Sinolink Properties Limited. Mr. Law has been employed by a number of real estate companies in the PRC. He is a qualified economist in the PRC and has over 19 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.

DIRECTORS AND OFFICERS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Davin A. Mackenzie, aged 47, was appointed as an independent non-executive director of the Company in August 2004. He is also a member of audit committee and remuneration committee of the Company. Mr. Mackenzie 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. He is a managing director and the Beijing representative of Peak Capital L.L.C., 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, he was its resident representative in the PRC. While with the IFC, he 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. Mr. Mackenzie 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, he worked for Mercer Management Consulting in Washington, DC, the US and the Bank of Boston Taipei Branch, Taiwan. He is on the development committee and is the former 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 and Chia Hsin Cement Greater China Holding Corporation, both are public listed companies in Hong Kong, AsiaInfo Holdings, Inc. and The 9 Limited.

Mr. Tian Jin, aged 49, was appointed as an independent non-executive director of the Company in May 2005. He is also a member of audit committee and remuneration committee of the Company. Mr. Tian holds a Bachelor of Arts from Hunan University, Master of Arts from Wuhan University and Doctorate in Administration and Management from Auburn University. Mr. Tian is the COO of Asia Operations, Morningstar Inc., CEO of Morningstar Asia Ltd, and Chairman of Morningstar China. Before joining Morningstar Inc., he was the Lecturer of Hunan University, Visiting Professor of Auburn University, Director of Academic Technology Development of DePaul University, Director of Institutional Planning and Research of DePaul University.

Mr. Xin Luo Lin, aged 58, was appointed as an independent non-executive director of the Company in June 2002. He is also a member of audit committee and remuneration committee of the Company. Mr. Xin 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.

QUALIFIED ACCOUNTANT

The qualified accountant of the Company is Ms. Tiong Check Hiong, Jacqueline, Certified Public Accountant.

REPORT OF THE DIRECTORS

The directors present the annual report and the audited financial statements for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries and associates are set out in notes 47 and 23 respectively to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 38 of the annual report.

An interim dividend of HK$0.03 (2005: HK$0.03 and special interim dividend of HK$0.033) per Share amounting to HK$85,713,000 was paid to the shareholders during the year.

On 22 March 2006, the board declared a special interim dividend by way of a distribution in respect of Enerchina shares held by the Company in proportion of 5 Enerchina Shares for every 10 Shares held by the shareholders of the Company. A total of 1,422,214,344 Enerchina Shares with the aggregate market value worths HK$952,884,000 were distributed to shareholders of the Company on 13 April 2006.

A final dividend of HK$0.035 (2005: HK$0.035) per Share and a bonus issue of a new Share of HK$0.10 credited as fully paid for every eight existing Shares held by the shareholders whose name appear on the register of members of the Company on Wednesday, 23 May 2007, has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming AGM.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 41 to 42.

The Company's reserves available for distribution to shareholders at 31 December 2006, amounted to HK$1,857,864,000 (2005: HK$2,749,971,000).

FINANCIAL SUMMARY

A summary of the results of the Group for each of the five years ended 31 December 2006 is set out on page 104.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 18 to the financial statements.

INVESTMENT PROPERTIES

Details of movements during the year in the investment properties of the Group are set out in note 20 to the financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 36 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors:
Ou Yaping *(Chairman)*
Tang Yui Man Francis *(Chief Executive Officer)*
Chen Wei
Law Sze Lai

Independent non-executive Directors:
Davin A. Mackenzie
Tian Jin
Xin Luo Lin

In accordance with Bye-law 87(1) of the bye-laws of the Company ("Bye-laws"), Messrs Ou Yaping, Tang Yui Man Francis and Davin A. Mackenzie shall retire by rotation at the forthcoming AGM and, being eligible, would offer themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive Directors as regards their independence to the Company pursuant to Rule 3.13 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. The Company considers that each of the independent non-executive Directors is independent to the Company.

REPORT OF THE DIRECTORS

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

At 31 December 2006, the interests or short positions of the Directors and chief executive of the Company in 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 to 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 or short positions in Shares and underlying Shares

Name of Directors	Capacity	Interest in Shares: Personal interest	Interest in Shares: Corporate interest	Interest in Shares: Family interest	Total interest in Shares	Interest in underlying Shares pursuant to share options	Aggregate interest	Approximate percentage of issued share capital of the Company at 31.12.2006
Chen Wei	Beneficial owner	3,600,000	–	–	3,600,000	8,400,000	12,000,000	0.42%
Law Sze Lai	Beneficial owner	5,900,000	–	–	5,900,000	5,600,000	11,500,000	0.40%
Davin A. Mackenzie	Beneficial owner	–	–	–	–	2,000,000	2,000,000	0.07%
Ou Yaping	Joint interest and interest of controlled corporation	–	1,384,514,000 *(Note)*	6,475,920	1,390,989,920	–	1,390,989,920	48.57%
Tang Yui Man Francis	Beneficial owner	5,700,000	–	–	5,700,000	13,300,000	19,000,000	0.66%
Tian Jin	Beneficial owner	–	–	–	–	2,000,000	2,000,000	0.07%
Xin Luo Lin	Beneficial owner	–	–	–	–	2,000,000	2,000,000	0.07%

Note:

These 1,384,514,000 Shares are held by Asia Pacific, a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Ou Yaping, Chairman of the Company.

Details of the directors' interests in share options granted by the Company are set out under the heading "Directors' rights to acquire Shares".

REPORT OF THE DIRECTORS

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

Name of Directors	Name of associated corporations	Capacity	Interest in shares: Personal interest	Interest in shares: Corporate interest	Interest in shares: Family interest	Total interest in shares	Interest in underlying shares pursuant to share options	Aggregate interest	Approximate percentage of the issued share capital of the associated corporation at 31.12.2006
Chen Wei	Panva Gas	Beneficial owner	3,600,000	–	–	3,600,000	6,600,000	10,200,000	1.06%
Law Sze Lai	Enerchina	Beneficial owner	1,710,000	–	–	1,710,000	–	1,710,000	0.04%
Davin A. Mackenzie	Enerchina	Beneficial owner	–	–	–	–	2,288,000	2,288,000	0.05%
Ou Yaping	Enerchina	Beneficial owner, interest of controlled corporations and joint interest	–	2,882,792,295 *(Note 1)*	3,237,960	2,886,030,255	2,288,000	2,888,318,255	59.80%
	Panva Gas	Beneficial owner and interest of controlled corporations	–	575,806,587 *(Note 2)*	–	575,806,587	3,600,000	579,406,587	60.46%
	Asia Pacific	Beneficial owner	2	–	–	2	–	2	100.00%
Tang Yui Man Francis	Enerchina	Beneficial owner	–	–	–	–	22,880,000	22,880,000	0.47%
	Panva Gas	Beneficial owner	4,400,000	–	–	4,400,000	3,000,000	7,400,000	0.77%
Xin Luo Lin	Enerchina	Beneficial owner	–	–	–	–	2,288,000	2,288,000	0.05%

Notes:

1. The 2,882,792,295 shares in Enerchina represent the aggregate of: (i) the 1,971,690,942 shares held by the Company (Mr. Ou through his wholly-owned company, Asia Pacific, holds 48.35% of the existing issued share capital of the Company and is therefore deemed to be interested in all shares in which the Company is interested); (ii) the 223,990,353 shares held by Smart Orient Investments Limited ("Smart Orient"), a wholly-owned subsidiary of the Company; and (iii) 687,111,000 shares held by Asia Pacific directly. Mr. Ou is deemed to be interested in these shares under the SFO.

2. The 575,806,587 shares in Panva Gas represent the aggregate of (i) 401,233,462 shares held by Kenson Investment Limited ("Kenson") and 169,491,525 shares held by Supreme All Investments Limited ("Supreme All"), both wholly-owned subsidiaries of Enerchina; and (ii) 5,081,600 shares held by Asia Pacific. As approximately 45.46% of the issued share capital of Enerchina was held by the Company and approximately 48.35% interest of the Company was held by Asia Pacific as at 31 December 2006 and Mr. Ou is the sole beneficial owner of Asia Pacific, Mr. Ou is deemed under the SFO to be interested in such 575,806,587 shares.

Details of the directors' interests in share options granted by the associated corporations are set out under the heading "Directors' right to acquire Shares".

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES

(a) Interest in options to subscribe for Shares

Pursuant to the Company's share option schemes, the Company has granted to certain directors of the Company options to subscribe the Shares, details of which as at 31 December 2006 were as follows:

Name of Directors	Date of grant	Exercise period	Exercise price *HK$*	Number of Shares subject to outstanding options at 1.1.2006	Number of Shares subject to outstanding options at 31.12.2006	Approximate percentage of issued share capital of the Company at 31.12.2006
Chen Wei	13.01.2005	31.12.2005 - 24.05.2012	1.126	3,600,000	–	–
	13.01.2005	30.06.2006 - 24.05.2012	1.126	3,600,000	3,600,000	0.13%
	13.01.2005	31.12.2006 - 24.05.2012	1.126	4,800,000	4,800,000	0.17%
Law Sze Lai	13.01.2005	31.12.2005 - 24.05.2012	1.126	2,400,000	–	–
	13.01.2005	30.06.2006 - 24.05.2012	1.126	2,400,000	2,400,000	0.08%
	13.01.2005	31.12.2006 - 24.05.2012	1.126	3,200,000	3,200,000	0.11%
Davin A. Mackenzie	13.01.2005	31.12.2005 - 24.05.2012	1.126	600,000	600,000	0.02%
	13.01.2005	30.06.2006 - 24.05.2012	1.126	600,000	600,000	0.02%
	13.01.2005	31.12.2006 - 24.05.2012	1.126	800,000	800,000	0.03%
Tang Yui Man Francis	13.01.2005	31.12.2005 - 24.05.2012	1.126	5,700,000	–	–
	13.01.2005	30.06.2006 - 24.05.2012	1.126	5,700,000	5,700,000	0.20%
	13.01.2005	31.12.2006 - 24.05.2012	1.126	7,600,000	7,600,000	0.27%
Tian Jin	22.01.2006	31.12.2006 - 24.05.2012	2.370	–	600,000	0.02%
	22.01.2006	30.06.2007 - 24.05.2012	2.370	–	600,000	0.02%
	22.01.2006	31.12.2007 - 24.05.2012	2.370	–	800,000	0.03%
Xin Luo Lin	13.01.2005	31.12.2005 - 24.05.2012	1.126	600,000	600,000	0.02%
	13.01.2005	30.06.2006 - 24.05.2012	1.126	600,000	600,000	0.02%
	13.01.2005	31.12.2006 - 24.05.2012	1.126	800,000	800,000	0.03%

Notes:

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

2. These options represent personal interest held by the Directors as beneficial owners.

3. During the year, 2,000,000 options were granted to a director and 11,700,000 options were exercised by the Directors. No option held by the Directors was lapsed or cancelled.

REPORT OF THE DIRECTORS

(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 at 1.1.2006	Number of shares options held at 31.12.2006	Approximate percentage of the issued share capital of the associated corporation at 31.12.2006
Chen Wei	Panva Gas	04.04.2001	01.01.2003 - 03.04.2011	0.475	1,800,000	1,800,000	0.19%
		04.04.2001	01.01.2004 - 03.04.2011	0.475	1,800,000	1,800,000	0.19%
		13.11.2001	13.11.2002 - 13.02.2007	0.940	1,440,000	–	–
		19.11.2004	31.12.2005 - 30.03.2011	3.500	900,000	900,000	0.09%
		19.11.2004	31.12.2006 - 30.03.2011	3.500	900,000	900,000	0.09%
		19.11.2004	31.12.2007 - 30.03.2011	3.500	1,200,000	1,200,000	0.13%
Davin A. Mackenzie	Enerchina	20.10.2004	20.10.2005 - 19.10.2015	0.500	2,288,000	2,288,000	0.05%
Ou Yaping	Enerchina	09.06.2004	09.06.2004 - 08.06.2014	0.440	2,288,000	2,288,000	0.05%
	Panva Gas	04.04.2001	01.01.2003 - 03.04.2011	0.475	1,800,000	1,800,000	0.19%
		04.04.2001	01.01.2004 - 03.04.2011	0.475	1,800,000	1,800,000	0.19%
Tang Yui Man Francis	Enerchina	09.06.2004	09.06.2004 - 08.06.2014	0.440	22,880,000	22,880,000	0.47%
	Panva Gas	13.11.2001	13.11.2002 - 13.02.2007	0.940	960,000	–	–
		19.11.2004	31.12.2005 - 30.03.2011	3.500	900,000	900,000	0.09%
		19.11.2004	31.12.2006 - 30.03.2011	3.500	900,000	900,000	0.09%
		19.11.2004	31.12.2007 - 30.03.2011	3.500	1,200,000	1,200,000	0.13%
Xiu Luo Lin	Enerchina	09.06.2004	09.06.2004 - 08.06.2014	0.440	2,288,000	2,288,000	0.05%

Notes:

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

2. These options represent personal interest 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.

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.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEMES OF THE COMPANY

2002 Share Option Scheme

Pursuant to a share option scheme approved by resolutions of the shareholders of the Company dated 24 May 2002 (the "Existing 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 or 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 2006, a total of 78,090,000 Shares (representing approximately 2.72% of the existing issued share capital of the Company as at the date of this annual report) may be issued upon exercise of all options which had been granted and yet to be exercised under the Existing Scheme.

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 Existing Scheme are not permitted to exceed 10% of the Shares in issue at the date of approval of the Existing Scheme, 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 12-month period 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 is note 41 to the financial statements.

REPORT OF THE DIRECTORS

Details of specific categories of share options are as follows:

Option types	Date of grant	Exercise period	Exercise price
			HK$
2004 Options	01.01.2004	01.06.2004 - 31.05.2008	0.760
	01.01.2004	01.01.2005 - 31.05.2008	0.760
	01.01.2004	01.06.2005 - 31.05.2008	0.760
	01.01.2004	01.01.2006 - 31.05.2008	0.760
2005 Options	13.01.2005	31.12.2005 - 24.05.2012	1.126
	13.01.2005	30.06.2006 - 24.05.2012	1.126
	13.01.2005	31.12.2006 - 24.05.2012	1.126
2006A Options	22.01.2006	31.12.2006 - 24.05.2012	2.370
	22.01.2006	30.06.2007 - 24.05.2012	2.370
	22.01.2006	31.12.2007 - 24.05.2012	2.370
2006B Options	14.02.2006	28.02.2007 - 24.05.2012	2.485
	14.02.2006	31.07.2007 - 24.05.2012	2.485
	14.02.2006	28.02.2008 - 24.05.2012	2.485
2006C Options	30.06.2006	30.06.2007 - 24.05.2012	1.410
	30.06.2006	31.12.2007 - 24.05.2012	1.410
	30.06.2006	30.06.2008 - 24.05.2012	1.410

REPORT OF THE DIRECTORS

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

	Option type	Outstanding at 1.1.2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2006
Category 1: Directors						
Chen Wei	2005 Options	12,000,000	–	(3,600,000)	–	8,400,000
Law Sze Lai	2005 Options	8,000,000	–	(2,400,000)	–	5,600,000
Davin A. Mackenzie	2005 Options	2,000,000	–	–	–	2,000,000
Tang Yui Man Francis	2005 Options	19,000,000	–	(5,700,000)	–	13,300,000
Tian Jin	2006A Options	–	2,000,000	–	–	2,000,000
Xin Luo Lin	2005 Options	2,000,000	–	–	–	2,000,000
Total for Directors		43,000,000	2,000,000	(11,700,000)	–	33,300,000
Category 2: Employees						
	2004 Options	9,040,000	–	(6,360,000)	–	2,680,000
	2005 Options	60,800,000	–	(21,340,000)	(350,000)	39,110,000
	2006B Options	–	2,800,000	–	(2,800,000)	–
	2006C Options	–	3,000,000	–	–	3,000,000
Total for employees		69,840,000	5,800,000	(27,700,000)	(3,150,000)	44,790,000
Total for all categories		112,840,000	7,800,000	(39,400,000)	(3,150,000)	78,090,000

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 Company's shares immediately before the date of grant of the 2006 options, i.e. 22 January 2006, 14 February 2006 and 30 June 2006 were HK$2.42, HK$2.22 and HK$1.42 respectively.

3. The weighted average closing share price immediately before the date of exercise of share options was HK$1.42 to HK$2.75.

4. During the year, 7,800,000 options were granted and 39,400,000 options were exercised under the Existing Scheme.

5. During the year, 3,150,000 options were lapsed under the Existing Scheme. No options were cancelled under the Existing Scheme.

REPORT OF THE DIRECTORS

6. The fair value of the options granted under the Existing Scheme during the year measured at the date of grant (22 January 2006, 14 February 2006 and 30 June 2006) totalled approximately HK$4,387,000. The following significant assumptions were used to derive the fair value using the Black-Scholes option pricing model:

Weighted average share price	:	HK$1.964
Weighted average exercise price	:	HK$2.042
Expected volatility	:	39%-46% based on historical volatility
Expected dividend yield	:	3.43%-3.92% p.a. based on historical dividends
Expected life	:	4.5 years from grant date
Risk free interest rate	:	4.043%-4.691% p.a. being the approximate yield of 5-year Exchange Fund Note on the grant date

The Black-Scholes options pricing model was developed to estimate the fair value of traded options which do not have vesting restrictions and are fully transferable. This pricing model requires the input of highly subjective assumptions including the volatility of the share price. As the Company's options are different from traded options and because changes in subjective input assumptions can materially affect the fair value estimate in the directors opinion the model does not necessarily provide a reliable single measure of the fair value of the share options.

All the options forfeited before expiry of the options will be treated as lapsed options under the relevant share option scheme.

Based on the closing price of Shares on the date of grant and the above assumptions the computed fair value under the options granted during the period was at a range of approximately HK$0.50 to HK$0.67 per option share.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the Existing Scheme disclosed above, at no time during the period was the Company, its holding company, or any or its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors 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.

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 AGM.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed, 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 had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

At 31 December 2006, the register of substantial shareholders (other than the Directors or chief executives of the Company as disclosed above) 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	Interest in Shares	Approximate percentage of the Company's issued share capital at 31.12.2006
Asia Pacific	Beneficial owner	1,384,514,000 *(Note 1)*	48.35%
The Children's Investment Fund Management (UK) LLP	Investment manager	159,384,000 *(Note 2)*	5.57%
The Children's Investment Master Fund	Beneficial owner	159,384,000 *(Note 2)*	5.57%
Paul G. Desmarais	Interest of controlled corporations	145,000,000 *(Note 3)*	5.06%
Nordex Inc.	Interest of controlled corporations	145,000,000 *(Note 3)*	5.06%
Gelco Enterprises Ltd.	Interest of controlled corporations	145,000,000 *(Note 3)*	5.06%
Power Corporation of Canada	Interest of controlled corporations	145,000,000 *(Note 3)*	5.06%
Power Financial Corporation	Interest of controlled corporations	145,000,000 *(Note 3)*	5.06%
IGM Financial Inc.	Interest of controlled corporations	145,000,000 *(Note 3)*	5.06%

Notes:

1. The 1,384,514,000 Shares are held by Asia Pacific, a company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Ou Yaping, Chairman of the Company.

2. These 159,384,000 Shares are held by The Children's Investment Master Fund ("TCI Fund"). The Children's Investment Fund Management (UK) LLP is the investment manager of TCI Fund.

REPORT OF THE DIRECTORS

3. The 145,000,000 Shares are held by Mackenzie Cundill Investment Management Ltd. Mr. Paul G. Desmarais through his interests in Nordex Inc., Gelco Enterprises Ltd., Power Corporation of Canada, Power Financial Corporation and IGM Financial Inc., and is therefore deemed to be interested in all Shares in which Mackenzie Cundill Investment Management Ltd. is interested.

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 31 December 2006, 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.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the following connected transactions of the Company require disclosure in the annual report of the Company:

As disclosed in the announcement dated 14 March 2006, Sinolink Properties Limited, a subsidiary of the Company, as vendor (the "Vendor") entered into the sales and purchase agreement ("S&P Agreement") with Mr. Chen Wei as purchaser whereby Mr. Chen agreed to purchase from the Vendor the property situated at Flat I, 1/F, Block 6 Shui Xuan, Sinolink Garden II, Taian Road, Luo Hu District, Shenzhen, PRC for a consideration of HK$4,586,933.

Mr. Chen is an executive director of the Company and Panva Gas, a subsidiary of the Company, and thus Mr. Chen is a connected person of the Company under the Listing Rules. Accordingly, transaction between Mr. Chen and the Company constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. However, since the S&P Agreement is on normal commercial terms and the amounts are less than 2.5% of each of the appropriate percentage ratios of the Company calculated in accordance with the Listing Rules, the S&P Agreement is only subject to the reporting and announcement requirements set out in Chapter 14A of the Listing Rules and is exempted from the independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

The independent non-executive Directors confirm that the transactions have 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.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

As at 31 December 2006, the aggregate amount of financial assistance to associated companies by the Group amounted to HK$1,406,576,000 which exceeded 8% of the assets ratios as defined in Rule 14.07(1) of the Listing Rules.

REPORT OF THE DIRECTORS

An proforma consolidated balance sheet of the associated companies as at 31 December 2006 is presented as follows:

	HK$'000
Non-current assets	888,048
Current assets	400,852
Current liabilities	(3,085)
Non-current liabilities	(1,480,224)
Net liabilities	(194,409)

The Group's attributable interest in the associated companies as at 31 December 2006 comprised net liabilities of HK$73,566,000. According to the investment agreement dated 30 November 2005, the Group is committed to finance all the funding of the associated companies and share its net liabilities.

DONATIONS

During the year the Group made charitable and other donations amounting to HK$2,012,000.

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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest supplier accounted for approximately 8% of the Group's total purchases and the Group's largest five suppliers accounted for approximately 23% of the Group's total purchases.

During the year, the Group's largest customer accounted for approximately 7% of the Group's total sales and the Group's largest five customers accounted for 10% 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 and customers.

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence.

REPORT OF THE DIRECTORS

The emoluments of the Directors are determined having regard to the Company's operating results, individual performance and comparable market statistics. No Director, or any of his associates, and executive is involved in dealing his own remuneration.

The Company has adopted share option schemes as an incentive to Directors and eligible employees, details of the schemes is set out in note 41 to the financial statements and under the heading "Directors' right to acquire Shares".

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. The members of the Audit Committee are Messrs. Davin A. Mackenzie, Tian Jin and Xin Luo Lin. 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.

The annual results of the Group for the year ended 31 December 2006 had been audited by the Company's auditors, Deloitte Touche Tohmatsu, and had been reviewed by the Audit Committee.

AUDITORS

The financial statements of the Company for the year ended 31 December 2006 have been audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Ou Yaping
Chairman

Hong Kong, 19 April 2007

CORPORATE GOVERNANCE REPORT

CODE ON CORPORATE GOVERNANCE PRACTICES

Having established a good, credible and dynamic foundation for corporate governance practices in the Company since 2005, the Company ensures the transparency and protection of shareholders' interest, as well as the stakeholders' interests.

The Company has adopted all the code provisions as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Listing Rules as its own code on corporate governance practices since 2005.

The Company understood the importance on the sound corporate governance practices and recognized the changing regulatory environment. Therefore, the theme of the corporate governance practices in the Company is an evolving process, from implementing the existing Code, evaluating the effectiveness of the Code, and responding to the rapid changes and continuous development in our corporate governance practices, if necessary.

STATEMENT OF COMPLIANCE

The Company complied with the code provisions as set out in the Code during the year ended 31 December 2006 except that the members of the independent board committee were unable to attend the special general meeting of the Company held on 10 April 2006 due to other business commitment at that time. This does not comply fully with code provision E.1.2 of the Code which provides that the chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a transaction that is subject to independent shareholders' approval.

BOARD OF DIRECTORS

Composition

At the date of this report, the Board comprises 7 members (each member of the Board, a "Director"). Mr. Ou Yaping acts as Chairman of the Board, whereas Mr. Tang Yui Man Francis acts as Chief Executive Officer of the Company. Other executive Directors are Messrs. Chen Wei and Law Sze Lai. The Company has three independent non-executive Directors, Messrs. Davin A. Mackenzie, Tian Jin and Xin Luo Lin, and all independent non-executive Directors possess appropriate professional accounting experience and expertise.

All Directors have distinguished themselves in their field of expertise, and have exhibited high standards of personal and professional ethics and integrity. The biographical details of each Director are disclosed on pages 14 to 15 of this annual report.

Each of the independent non-executive Director has confirmed, in accordance with Rule 3.13 of the Listing Rules that he is independent of the Company and the Company also considers that they are independent.

There is no relationship (including financial, business, family or other material relationship) between any members of the Board.

Pursuant to the Bye-laws, the Directors shall hold office subject to retirement by rotation at the annual general meeting of the Company at least once every three years and are eligble for re-election.

CORPORATE GOVERNANCE REPORT

The term of office of each independent non-executive Director is for a period of 1 year from 1 January 2007 to 31 December 2007 subject to retirement by rotation, except for Mr. Tian Jin, who was appointed in May 2005, whose term of office is for a period of 2 years from 18 May 2005 to 17 May 2007.

Function

The Board, headed by the Chairman, is responsible for formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management.

The executive Directors are responsible for day-to-day management of the Company's operations. The executive Directors conduct meetings with the senior management of the Group, at which operational issues and financial performance are evaluated.

The Company considers that internal controls system and risk management function are essential, and the Board plays an important role in implementating and monitoring internal financial control and risk management.

Matters specifically decided by the Board and those reserved for the management are reviewed by the Board on a periodic basic.

There are established procedures to enable Directors to seek independent professional advice in appropriate circumstances at the Company's expenses.

The Bye-laws states responsibilities and operational procedures of the Board. The Board meets regularly at least four times a year considers operational reports of the Company and policies. Significant operational policies have to be discussed and passed by the Board.

During the year 2006, the Board held 4 regular Board meetings (within the meanings of the Code) at approximately quarterly intervals and 24 board meetings convened as necessary. Due notice and Board papers were given to all Directors prior to each meeting in accordance with the Bye-laws and the Code. Details of individual attendance of Directors are set out below:

	No. of meetings attended
Executive Directors	
Ou Yaping *(Chairman)*	28
Tang Yui Man Francis *(Chief Executive Officer)*	28
Chen Wei	9
Law Sze Lai	7
Independent Non-executive Directors	
Davin A. Mackenzie	7
Tian Jin	6
Xin Luo Lin	6

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

The role of the Chairman, Mr. Ou Yaping, remains separate from that of the Chief Executive Officer, Mr. Tang Yui Man Francis. Such division of responsibilities allows a balance of power between the Board and the management of the Group, and ensures the independence and accountability of each.

The Chairman provides leadership for the Board and oversees the Board so that its acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account matters proposed by other Directors. The Chairman has overall responsibility for providing leadership, vision and direction regarding business development.

The Chief Executive Officer, assisted by other executive Directors, is responsible for the day-to-day business management and operations of the Group for formulating and successfully implementing policies and for maintaining an effective executive support team. The Chief Executive Office is accountable to the Board for keeping the Chairman and all Directors fully informed of all major business developments and issues.

Responsibilities

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include:

- attending regular board meetings focusing on business strategy, operational issues and financial performance;
- active participation on the boards of subsidiaries and associated companies;
- approval of annual budgets for each operating company covering strategy, financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- monitoring and managing potential conflicts of interest of senior management, Board and shareholders;
- consideration of misuse of corporate assets and abuse in related party transactions; and
- ensuing processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all laws and ethics.

To enable the Directors to meet their obligations, an appropriate organizational structure is in place with clearly defined responsibilities and limits of authority.

CORPORATE GOVERNANCE REPORT

Board Committees

A number of committees of the Board, including the Audit Committee and Remuneration Committee, have been set up by the Company, with specific terms of reference relating to authority and duties, to strengthen the Board's functions and enhance its expertise.

Remuneration Committee

The Remuneration Committee comprised of one executive Director, Mr. Ou Yaping and two independent non-executive Directors, Messrs. Davin A. Mackenzie and Xin Luo Lin and is chaired by Mr. Xin Luo Lin.

The terms of reference of the Remuneration Committee compiled with the Code.

The Remuneration Committee's responsibilities include the review and consideration of the Company's remuneration policy for Directors and senior management, the determination of remuneration packages for executive Directors and senior management including benefits in kind, pension rights and compensation payments, and recommendations relating to remuneration of non-executive Directors.

During the year 2006, the Remuneration Committee:

- reviewed the remuneration policy for 2006/2007;
- reviewed the remuneration of the executive Directors and the independent non-executive Directors; and
- reviewed the annual share option policy.

The Remuneration Committee held 1 meeting during 2006 with individual attendance as follows:

	No. of meetings attended
Members of Remuneration Committee	
Ou Yaping	1
Davin A. Mackenzie	1
Xin Luo Lin *(Chairman of the committee)*	1

The Group recognises the importance of high caliber and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme adopted by the Group.

CORPORATE GOVERNANCE REPORT

Audit Committee

The Audit Committee comprised three independent non-executive Directors, namely Messrs. Davin A. Mackenzie, Tian Jin and Xin Luo Lin and is chaired by Mr. Xin Luo Lin.

The Audit Committee reports directly to the Board and reviews financial statements and internal controls, to protect the interests of the Company's shareholders.

The Audit Committee meets regularly with the Company's external auditors to discuss accounting issues, and reviews effectiveness of internal controls and risk evaluation. Written terms of reference, which describe the authority and duties of the Audit Committee are regularly reviewed and updated by the Board.

During the year 2006, the Audit Committee:

- reviewed the financial statements for the year ended 31 December 2005 and for the six months ended 30 June 2006;
- reviewed the effectiveness of the internal control system;
- reviewed the external auditors' findings; and
- reviewed and approved remuneration of auditors for 2006.

The Audit Committee held 2 meetings during the year 2006 with individual attendance as follows:

Members of Audit Committee	**No. of meetings attended**
Davin A. Mackenzie	2
Tian Jin	2
Xin Luo Lin *(Chairman of the committee)*	2

Nomination of Directors

The Board has not established a nomination committee. According to the Bye-laws, the Board has the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. In assessing nomination of new Directors, the Board taking into account a nominee's qualifications, ability and potential contribution to the Company. Therefore, nomination will be made by the members of the Board based on the need of the Company and the expertise and the experience of individual candidate.

As there was no change in composition of the Board during the year 2006, no meeting was held for the aforesaid purpose during the year 2006.

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the year ended 31 December 2006, all Directors have complied with the required standard set out in the Model Code.

The Company also has written guidelines regarding securities transactions on terms no less exacting than the required standard set out in the Model Code for senior management and any individuals who may have access to price-sensitive information in relation to the securities of the Company.

EXTERNAL AUDITOR

The external auditor of the Company is Deloitte Touche Tohmatsu ("Deloitte"). Deloitte provided professional services in respect of the audit of Company's consolidated financial statements prepared under Hong Kong Financial Reporting Standards ("HKFRSs") for the year ended 31 December 2006. Deloitte also reviewed the 2006 unaudited interim financial report of the Company, prepared under HKFRSs.

Fees charged by Deloitte in respect of audit services for the year 2006 amounted to HK$1,400,000. Non-audit services fees charged by Deloitte are as follows:

	Fee
	HK$'000
Description of services performed	
Review of the interim financial report of the Company for the six months ended 30 June 2006	320
Other services	770
Total	1,090

INTERNAL CONTROL

The Company places great importance on internal control and risk management. The Board has overall responsibility for the system of internal controls and for reviewing its effectiveness. During the year, the Board has conducted a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management functions. Based on the results of the review, the Group would take steps to further enhance the effectiveness of the internal control system.

CORPORATE GOVERNANCE REPORT

GOING CONCERN

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

SHAREHOLDERS COMMUNICATION

Shareholders are provided with detailed information about the Company so that they can exercise their rights in an informed manner.

The Company uses a range of communication tools, such as the annual general meeting, the annual report, various notices, announcements and circulars, to ensure its shareholders are kept well informed of key business imperatives. Procedures for demanding a poll are included in all circulars and the notice convening the annual general meeting and are also read out by the chairman at the general meeting.

At the 2006 Annual General Meeting, a resolution was proposed by the Chairman in respect of each separate issue itemized on the agenda, including re-election of Directors. At the special general meeting held on 10 April 2006 ("2006 SGM"), a resolution was proposed by a shareholder for the purpose of the refreshment of general mandate. The Chairman of the Board and certain members of all committees attended the 2006 Annual General Meeting and answered questions from shareholders. The Chairman of the Board attended 2006 SGM and answered questions from shareholders whereas the independent board members were unable to attend the 2006 SGM due to other business commitment at that time.

DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the financial statements which give a true and fair view of the state of affaire of the Group and of the profit and cash flows of the Group for the year. The statement of the Auditors regarding their reporting responsibility for the financial statements is set out in the Independent Auditor's Report on page 37.

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF SINOLINK WORLDWIDE HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sinolink Worldwide Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 100, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards 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
19 April 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	NOTES	2006 HK$'000	2005 HK$'000 (Restated)
Continuing operations			
Turnover	6	**2,326,663**	1,154,121
Cost of sales		**(1,111,500)**	(687,174)
Gross profit		**1,215,163**	466,947
Other income	7	**188,105**	22,119
Distribution and selling expenses		**(92,251)**	(80,000)
Administrative expenses		**(91,200)**	(92,431)
Other expenses	8	**(1,013)**	(54,283)
Increase in fair value of investment properties		**67,096**	240,778
Gain on disposal of available-for-sale investments		**–**	206
Share of results of associates		**(135,204)**	–
Finance costs	9	**–**	(6,904)
Profit before taxation	10	**1,150,696**	496,432
Taxation	13	**(416,480)**	(98,972)
Profit for the year from continuing operations		**734,216**	397,460
Discontinued operations			
Profit for the year from discontinued operations	14	**271,036**	589,806
Profit for the year		**1,005,252**	987,266
Attributable to:			
Equity holders of the Company		**962,431**	670,909
Minority interests		**42,821**	316,357
		1,005,252	987,266
Dividends	16	**1,138,365**	218,571
		HK cents	HK cents
Earnings per share	17		
From continuing and discontinued operations			
Basic		**33.99**	28.42
Diluted		**33.54**	28.08
From continuing operations			
Basic		**22.76**	12.10
Diluted		**22.47**	11.98

CONSOLIDATED BALANCE SHEET

At 31 December 2006

	NOTES	2006 HK$'000	2005 HK$'000
Non-current assets			
Property, plant and equipment	18	**43,668**	3,094,885
Prepaid lease payments	19	**4,876**	122,088
Investment properties	20	**761,243**	481,756
Intangible assets	21	**–**	8,969
Goodwill	22	**–**	397,077
Interest in associates	23	**963,412**	465,738
Available-for-sale investments	24	**3,001**	192,301
Pledged bank deposits		**–**	202,916
Loan receivables	25	**1,328,081**	348,026
		3,104,281	5,313,756
Current assets			
Stock of properties	26	**1,919,175**	2,350,345
Inventories	27	**–**	192,001
Trade and other receivables	28	**40,938**	1,555,934
Prepaid lease payments	19	**83**	3,694
Amount due from an associate		**4,929**	–
Investments held for trading	29	**–**	154,499
Pledged bank deposits		**20,607**	82,229
Bank balances and cash	30	**495,245**	2,152,484
		2,480,977	6,491,186
Current liabilities			
Trade and other payables	31	**561,062**	2,113,227
Amounts due to minority shareholders	32	**–**	30,343
Derivative financial instruments	33	**–**	332,970
Taxation		**96,910**	123,360
Borrowings – amount due within one year	34	**154,229**	1,188,708
		812,201	3,788,608
Net current assets		**1,668,776**	2,702,578
Total assets less current liabilities		**4,773,057**	8,016,334
Non-current liabilities			
Borrowings – amount due after one year	34	**338,308**	2,623,078
Deferred taxation	35	**287,993**	36,117
		626,301	2,659,195
Net assets		**4,146,756**	5,357,139

CONSOLIDATED BALANCE SHEET

At 31 December 2006

	NOTES	**2006** **HK$'000**	2005 HK$'000
Capital and reserves			
Share capital	36	**286,377**	263,491
Reserves	37	**3,543,050**	3,178,477
Equity attributable to equity holders of the Company		**3,829,427**	3,441,968
Equity component of convertible bonds of a listed subsidiary		**–**	48,350
Equity component of share option reserve of listed subsidiaries		**–**	20,717
Minority interests		**317,329**	1,846,104
Total equity		**4,146,756**	5,357,139

The consolidated financial statements on pages 38 to 100 were approved and authorised for issue by the Board of Directors on 19 April 2007 and are signed on its behalf by:

Ou Yaping
CHAIRMAN

Tang Yui Man, Francis
CHIEF EXECUTIVE OFFICER

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

	Attributable to equity holders of the Company												
	Share capital *HK$'000*	Share premium *HK$'000*	Translation reserve *HK$'000*	Share option reserve *HK$'000*	Capital reserves *HK$'000* *(note 37)*	General reserves *HK$'000* *(note 37)*	Contributed surplus *HK$'000* *(note 37)*	Retained earnings *HK$'000*	Total *HK$'000*	Equity component of convertible bonds of a listed subsidiary *HK$'000*	Equity component of share option reserve of listed subsidiaries *HK$'000*	Minority interests *HK$'000*	Total *HK$'000*
At 1 January 2005	233,345	351,828	(8,848)	965	546	66,174	367,782	1,355,359	2,367,151	48,350	3,813	1,857,069	4,276,383
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	49,426	–	–	–	–	–	49,426	–	–	43,650	93,076
Profit for the year	–	–	–	–	–	–	–	670,909	670,909	–	–	316,357	987,266
Total recognised income for the year	–	–	49,426	–	–	–	–	670,909	720,335	–	–	360,007	1,080,342
Issue of shares on the exercise of share options	2,146	13,493	–	(609)	–	–	–	–	15,030	–	–	–	15,030
Issue of shares in placing and subscription arrangement	28,000	518,000	–	–	–	–	–	–	546,000	–	–	–	546,000
Expenses incurred in connection with issue of shares	–	(11,466)	–	–	–	–	–	–	(11,466)	–	–	–	(11,466)
Changes in minority interests on deemed/partial disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	49,638	49,638
Reduction in minority interests on acquisition of additional interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(196,742)	(196,742)
Reduction in minority interests on group restructuring *(note 15)*	–	–	–	–	–	–	–	–	–	–	–	(180,401)	(180,401)
Acquired on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	26,473	26,473
Transfer	–	–	–	–	–	2,879	–	(2,879)	–	–	–	–	–
Recognition of equity-settled share base payments	–	–	–	23,338	–	–	–	151	23,489	–	16,904	–	40,393
Dividends	–	–	–	–	–	–	–	(218,571)	(218,571)	–	–	–	(218,571)
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(69,940)	(69,940)
At 31 December 2005 and 1 January 2006	263,491	871,855	40,578	23,694	546	69,053	367,782	1,804,969	3,441,968	48,350	20,717	1,846,104	5,357,139

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Capital reserves HK$'000 (note 37)	General reserves HK$'000 (note 37)	Contributed surplus HK$'000 (note 37)	Retained earnings HK$'000	Total HK$'000	Equity component of convertible bonds of a listed subsidiary HK$'000	Equity component of share option reserve of listed subsidiaries HK$'000	Minority interests HK$'000	Total HK$'000
At 31 December 2005 and 1 January 2006	263,491	871,855	40,578	23,694	546	69,053	367,782	1,804,969	3,441,968	48,350	20,717	1,846,104	5,357,139
Exchange differences arising on translation of foreign operations recognised directly in equity	–	–	34,501	–	–	–	–	–	34,501	–	–	9,862	44,363
Share of exchange reserves of associates	–	–	57,601	–	–	–	–	–	57,601	–	–	–	57,601
Realised on deemed disposal of interest in a subsidiary	–	–	(79)	–	–	–	–	–	(79)	–	–	–	(79)
Realised on partial disposal of interests in subsidiaries	–	–	(8,588)	–	–	–	–	–	(8,588)	–	–	–	(8,588)
Profit for the year	–	–	–	–	–	–	–	962,431	962,431	–	–	42,821	1,005,252
Total recognised income for the year	–	–	83,435	–	–	–	–	962,431	1,045,866	–	–	52,683	1,098,549
Issue of shares on the exercise of share options	3,940	49,483	–	(11,387)	–	–	–	–	42,036	–	–	–	42,036
Issue of shares in placing and subscription arrangement	18,946	424,382	–	–	–	–	–	–	443,328	–	–	–	443,328
Expenses incurred in connection with issue of shares	–	(17,520)	–	–	–	–	–	–	(17,520)	–	–	–	(17,520)
Recognition of equity-settled share based payments	–	–	–	12,114	–	–	–	–	12,114	–	4,846	–	16,960
Transfer	–	–	–	–	(215)	(3,262)	–	3,477	–	–	–	–	–
Released on disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(48,350)	(25,563)	(1,606,354)	(1,680,267)
Acquired on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	62,357	62,357
Reduction in minority interests on acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(4,500)	(4,500)
Changes in minority interests on deemed disposal of interest in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	4,467	4,467
Capital contribution from minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	5,758	5,758
Dividends	–	–	–	–	–	–	–	(1,138,365)	(1,138,365)	–	–	–	(1,138,365)
Dividends paid to minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(43,186)	(43,186)
At 31 December 2006	286,377	1,328,200	124,013	24,421	331	65,791	367,782	1,632,512	3,829,427	–	–	317,329	4,146,756

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006

	NOTES	2006 HK$'000	2005 HK$'000
OPERATING ACTIVITIES			
Profit before taxation	13	**1,424,772**	1,121,302
Adjustments for:			
Share of results of associates		**135,380**	(20,829)
Depreciation and amortisation of property, plant and equipment		**55,376**	168,052
Release of prepaid lease payments		**1,589**	2,474
Amortisation of intangible assets		**661**	428
Share-based payment expenses		**16,960**	40,393
Interest income		**(195,309)**	(70,703)
Dividend income from unlisted available-for-sale investments		**(503)**	(5,346)
Gain on fair value changes on investments held for trading		**(17,476)**	(11,949)
Interest expenses		**72,636**	178,522
Changes in fair value of derivative financial instruments		**113,761**	208,127
Gain on disposal of subsidiaries	14	**(277,143)**	(40,794)
Gain on group restructuring exercise		**–**	(180,401)
Loss on deemed disposal of subsidiaries		**2,105**	–
Discount on acquisitions of subsidiaries/ additional interest in subsidiaries		**(23,920)**	(15,189)
Increase in fair value of investment properties		**(67,096)**	(240,778)
Gain on disposal of available-for-sale investments		**–**	(116,397)
Impairment loss on goodwill		**–**	6,405
Impairment loss recognised in respect of available-for-sale investments		**–**	50,000
Changes in fair value of convertible option of exchangeable note		**–**	(7,227)
(Gain) loss on disposal of property, plant and equipment		**(886)**	2,444
Operating cash flows before movements in working capital		**1,240,907**	1,068,534
Decrease (increase) in stock of properties		**333,063**	(193,124)
Increase in inventories		**(3,558)**	(87,533)
Decrease (increase) in trade and other receivables		**192,799**	(721,161)
Increase in investments held for trading		**–**	(92,974)
(Decrease) increase in trade and other payables		**(944,609)**	1,003,265
Cash generated from operations		**818,602**	977,007
Taxation paid		**(119,622)**	(38,665)
NET CASH FROM OPERATING ACTIVITIES		**698,980**	938,342

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006

	NOTES	2006 HK$'000	2005 HK$'000
INVESTING ACTIVITIES			
Disposal of subsidiaries (net of cash and cash equivalent disposed of)	39	**(1,232,408)**	–
Advance to an associate		**(912,245)**	–
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	38	**(172,600)**	(109,578)
Purchase of property, plant and equipment		**(80,144)**	(782,539)
Increase in pledged bank deposits		**(17,785)**	(134,728)
Prepaid lease payments		**(7,393)**	(4,456)
Purchase of available-for-sale investments		**(1,990)**	(275,187)
Interest received		**24,545**	137,522
Dividend received from associates		**26,220**	–
Proceeds from disposal of property, plant and equipment		**18,698**	24,396
Investment income from available-for-sale investments		**503**	5,346
Proceeds from disposal of available-for-sale investments		**–**	278,830
Proceeds from placing of shares of subsidiaries		**–**	97,196
Proceeds from disposal of prepaid lease payments		**–**	527
Acquisition of an associate		**–**	(307,955)
Acquisition of additional interests in subsidiaries		**–**	(305,102)
NET CASH USED IN INVESTING ACTIVITIES		**(2,354,599)**	(1,375,728)
FINANCING ACTIVITIES			
New bank and other loans raised		**557,383**	223,119
Proceeds from issue of shares		**485,364**	561,030
Issue share expenses		**(17,520)**	(11,466)
Capital contribution from minority shareholders of subsidiaries		**5,758**	–
Proceeds from exercise of share options of a listed subsidiary		**2,362**	2,523
Repayment of bank and other loans		**(668,915)**	(936,947)
Interest paid		**(146,629)**	(153,916)
Dividends paid		**(185,481)**	(218,571)
Dividends paid to minority shareholders of subsidiaries		**(43,186)**	(69,940)
Repayment to minority shareholders		**(2,254)**	(430)
Advances to shareholders		**–**	(323,567)
Repayment from minority shareholders of a subsidiary		**–**	28,064
NET CASH USED IN FINANCING ACTIVITIES		**(13,118)**	(900,101)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,668,737)**	(1,337,487)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**2,152,484**	3,468,306
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**11,498**	21,665
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH		**495,245**	2,152,484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The consolidated financial statements are presented in Hong Kong dollars while the functional currency of the Company is Renminbi. The reason for selecting Hong Kong dollars as its presentation currency because the Company is a public company with the shares listed on the Stock Exchange, where most of its investors are located in Hong Kong.

The principal activities of the Group are property development and property investment. In prior year, the Group was also engaged in sale and distribution of liquefied petroleum gas and natural gas ("Gas Fuel"), and construction of gas pipelines and supply of electricity. These operations were discontinued in the current year (see note 14).

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), amendments of Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating segments[2]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) – INT 8	Scope of HKFRS 2[4]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives[5]
HK(IFRIC) – INT 10	Interim financial reporting and impairment[6]
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions[7]
HK(IFRIC) – INT 12	Service concession arrangements[8]

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 January 2009
3 Effective for annual periods beginning on or after 1 March 2006
4 Effective for annual periods beginning on or after 1 May 2006
5 Effective for annual periods beginning on or after 1 June 2006
6 Effective for annual periods beginning on or after 1 November 2006
7 Effective for annual periods beginning on or after 1 March 2007
8 Effective for annual periods beginning on or after 1 January 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of additional interests of subsidiaries that do not result in a change in control do not fall within the definition of business combination under HKFRS 3 "Business Combinations". The excess of the cost of acquisition over the carrying amount of assets and liabilities of the subsidiary is recognised as goodwill.

All inter-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill arising on acquisitions prior to 1 January 2002

Goodwill arising on an acquisition of subsidiaries for which the agreement date is before 1 January 2002 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiaries at the date of acquisition.

For previously capitalised goodwill arising on an acquisition prior to 1 January 2002, the Group has discounted amortisation from 1 January 2002 onwards, and such goodwill is tested for impairment annually, and whether there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after 1 January 2002

Goodwill arising on an acquisition of subsidiaries for which the agreement date is on or after 1 January 2002 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a subsidiary is presented separately in the balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Goodwill arising on acquisition of additional interests in a subsidiary

Goodwill arising on acquisition of additional interests in a subsidiary represents the excess of the cost of acquisition of the additional interests over the book value of the net assets of the subsidiary attributable to the additional interests acquired.

Excess of an acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of subsidiaries represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss.

Discount on acquisitions arising on acquisition of additional interests in a subsidiary

Discount on acquisitions arising on acquisition of additional interests in a subsidiary represents the excess of the book value of the net assets of the subsidiary attributable to the additional interest acquired over the cost of acquisition of the additional interests.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment losses. When the Group's share of losses of an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profit and losses are eliminated to the extent of the Group's interest in the relevant associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Distribution in specie

Distribution in specie is measured at the fair value of the subsidiary's shares distributed. The difference between the carrying amount of the subsidiary's net assets and the fair value is recognised in the profit or loss.

Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of properties

Revenue from the sale of properties is recognised in the consolidated income statement when the significant risks and rewards of ownership have been transferred to the buyers. The Group considers that the significant risks and rewards of ownership are transferred when the properties are completed and delivered to the buyers. Revenue from sales of properties excludes business tax and other sales related taxes and is after deduction of any trade discounts. Deposits received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet as receipts in advance.

Income from outright sales of an entire development project and/or development rights prior to completion and sales of completed properties are recognised on the execution of legally binding, unconditional and irrevocable contracts.

Sales of electricity supply

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

Gas pipelines construction revenue

Income from gas pipelines construction, representing gas connection 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 year. When the outcome of a gas connection contract cannot be estimated reliably, revenue is recognised only to the extent of contract cost incurred that is probable to be recoverable.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Recognition of revenue *(Continued)*

Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income

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

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

The land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification. Leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production, rental or for administrative purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

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 to thirty years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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. The properties under development are stated at the lower of cost and net realisable value.

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.

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 consolidated income statement by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as contract revenue is recognised.

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

Impairment (other than goodwill)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss are mainly classified as investments held for trading. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including loan receivables, trade and other receivables, amount due from an associate, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in profit or loss in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Bank and other loans/guaranteed senior notes/exchangeable note

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction cost) and the settlement or redemption of borrowings is recognised over the terms of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Convertible bonds

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the issuer's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds reserve).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity *(Continued)*

Convertible bonds (Continued)

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the issuer, will remain in convertible bonds reserve until the conversion option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to the retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that related to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Other financial liabilities

Other financial liabilities including trade and other payables and amounts due to minority shareholders are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

The Group uses derivative financial instruments (primarily interest rates swap) to hedge its exposure against changes in interest rate. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts and deemed as held-for-trading when the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contracts, and the combined contracts are not measured at fair value through profit or loss. In all other circumstances, derivatives embedded are not separated and are accounted for together with the host contracts in accordance with appropriate standards. Where the Group needs to separate an embedded derivative but is unable to measure the embedded derivative, the entire combined contracts are treated as held-for-trading.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

Share options granted before 7 November 2002
The financial impact of share options granted is not recorded in the Company's balance sheet until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted after 7 November 2002
The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

Equity-settled share-based payment transactions *(Continued)*

Share options granted to employees *(Continued)*

Share options granted after 7 November 2002 (Continued)
At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated 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 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.

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 profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefits costs

Payments to defined contribution retirement benefit schemes, state-managed retirement plans and Mandatory Provident Fund Scheme ("MPF Scheme") are charged as expenses when employees have rendered service entitling them to contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, management has made various estimates based on past experience, expectations of the future and other information. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Loan receivables

Note 3 describes that loan receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

In making the estimates, management considered detailed procedures are in place to monitor this risk as a significant proportion of the Group's working capital is devoted to loan receivables. In determining whether an allowance for loan receivables is required, the management will take into consideration for the recoverable amount of the underlying assets regarding the loan receivables and the likelihood of collection. Specific allowance is only made for the amount that is unlikely to be collected from the loan receivables. In this regard, the directors of the Company are satisfied that the loan receivables at 31 December 2006 can be fully recoverable and no specific allowances is considered necessary.

5. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's major financial instruments include available-for-sale investments, pledged bank deposits, bank balances, loan receivables, trade and other receivables, amount due from an associate, trade and other payables and borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate loan receivables (note 25). In relation to these fixed-rate loan receivables, the management will consider hedging significant fair value interest rate risk should the need arise.

Cash flow interest rate risk

Interest rate risk reflects the risk the Group might expose through the impact of rate changes on interest-bearing financial assets. Interest-bearing financial assets are mainly balance with banks which are short term in nature. Interest-bearing financial liabilities are mainly bank loans which are arranged at floating rate, thus exposing the Group to cash flow interest rate risk. The management will consider hedging significant interest rate exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

5. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(Continued)*

Credit risk

As at 31 December 2006, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet; and

- the amount of contingent liabilities disclosed in note 43.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and loan receivable at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

The Group has no significant concentration of credit risk on trade and other receivables, with exposure spread over a large number of counterparties and customers. In respect of loan receivable (note 25), the management closely monitors its settlement and recoverability to ensure that adequate impairment losses are recognised for irrecoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

(A) Business segments

For management purposes, the Group is currently organised into two operating divisions – property development and property investment. These divisions are the basis on which the Group reports its primary segment information.

In the prior year, the Group was also involved in gas fuel business and electricity supplies. These operations were discontinued on 13 April 2006 (see note 14).

Segment information about these businesses is presented below.

For the year ended 31 December 2006

	Continuing operations					Discontinued operations			
	Property development	Property investment	Others	Eliminations	Sub-total	Gas fuel business	Electricity supplies	Sub-total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER									
External sales	2,239,596	15,282	71,785	–	2,326,663	657,071	345,318	1,002,389	3,329,052
Inter-segment sales	–	–	1,756	(1,756)	–	–	–	–	–
	2,239,596	15,282	73,541	(1,756)	2,326,663	657,071	345,318	1,002,389	3,329,052
RESULT									
Segment result	1,019,838	13,831	37,969	–	1,071,638	48,514	86,928	135,442	1,207,080
Other income					188,105			37,042	225,147
Discount on acquisitions of subsidiaries/additional interest in a subsidiary	–	–	–	–	–	23,920	–	23,920	23,920
Unallocated corporate expenses					(40,939)			(10,793)	(51,732)
Gain on disposal of subsidiaries *(note 39)*					–			277,143	277,143
Loss on deemed disposal of subsidiaries	–	–	–	–	–	(2,105)	–	(2,105)	(2,105)
Increase in fair value of investment properties	–	67,096	–	–	67,096	–	–	–	67,096
Share of results of associates					(135,204)			(176)	(135,380)
Finance costs					–			(72,636)	(72,636)
Changes in fair value of derivative financial instruments *(note 33)*					–			(113,761)	(113,761)
Profit before taxation					1,150,696			274,076	1,424,772
Taxation					(416,480)			(3,040)	(419,520)
Profit for the year					734,216			271,036	1,005,252

Inter-segment sales are charged at prevailing market prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(A) Business segments *(Continued)*

At 31 December 2006

	Property development *HK$'000*	Property investment *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
ASSETS				
Segment assets	1,928,231	761,243	5,934	2,695,408
Interest in associates				963,412
Loan receivables				1,328,081
Unallocated corporate assets				598,357
Consolidated total assets				5,585,258
LIABILITIES				
Segment liabilities	542,495	–	12,130	554,625
Borrowings	492,537	–	–	492,537
Unallocated corporate liabilities				391,340
Consolidated total liabilities				1,438,502

Other information

	Continuing operations				Discontinued operations			
	Property development *HK$'000*	Property investment *HK$'000*	Others *HK$'000*	Sub-total *HK$'000*	Gas fuel business *HK$'000*	Electricity supplies *HK$'000*	Sub-total *HK$'000*	Consolidated *HK$'000*
Capital additions	571	–	82	653	451,570	1,929	453,499	454,152
Goodwill additions	–	–	–	–	11,333	–	11,333	11,333
Intangible assets additions	–	–	–	–	102,324	–	102,324	102,324
Depreciation and amortisation	6,818	–	546	7,364	22,788	25,885	48,673	56,037
Release of prepaid lease payments	81	–	–	81	1,263	245	1,508	1,589

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(A) Business segments *(Continued)*

For the year ended 31 December 2005

	Continuing operations					Discontinued operations			
	Property development	Property investment	Others	Eliminations	Sub-total	Gas fuel business	Electricity supplies	Sub-total	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER									
External sales	1,109,736	11,441	32,944	–	1,154,121	2,324,100	1,292,131	3,616,231	4,770,352
Inter-segment sales	–	–	1,702	(1,702)	–	–	–	–	–
	1,109,736	11,441	34,646	(1,702)	1,154,121	2,324,100	1,292,131	3,616,231	4,770,352
RESULT									
Segment result	315,404	8,660	7,690	–	331,754	580,756	124,918	705,674	1,037,428
Other income					22,119			109,681	131,800
Discount on acquisition of subsidiaries	–	–	–	–	–	15,168	–	15,168	15,168
Unallocated corporate expenses					(91,521)			(179,842)	(271,363)
Gain on partial disposal of subsidiaries	–	–	–	–	–	–	40,794	40,794	40,794
Gain on group restructuring exercise *(note 15)*					–			180,401	180,401
Gain on disposal of available-for-sale investments					206			116,191	116,397
Increase in fair value of investment properties	–	240,778	–	–	240,778	–	–	–	240,778
Share of results of associates	–	–	–	–	–	20,829	–	20,829	20,829
Finance costs					(6,904)			(175,899)	(182,803)
Changes in fair value of derivative financial instruments *(note 33)*					–			(208,127)	(208,127)
Profit before taxation					496,432			624,870	1,121,302
Taxation					(98,972)			(35,064)	(134,036)
Profit for the year					397,460			589,806	987,266

Inter-segment sales are charged at prevailing market prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

6. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(A) Business segments *(Continued)*

At 31 December 2005

	Continuing operations				Discontinued operations			
	Property development HK$'000	Property investment HK$'000	Others HK$'000	Sub-total HK$'000	Gas fuel business HK$'000	Electricity supplies HK$'000	Sub-total HK$'000	Consolidated HK$'000
ASSETS								
Segment assets	2,215,437	481,756	150,807	2,848,000	3,028,951	2,058,586	5,087,537	7,935,537
Interest in associates	4	–	–	4	465,734	–	465,734	465,738
Loan receivables								348,026
Unallocated corporate assets								3,055,641
Consolidated total assets								11,804,942
LIABILITIES								
Segment liabilities	1,502,379	–	10,290	1,512,669	213,448	196,878	410,326	1,922,995
Borrowings	586,040	–	–	586,040	2,015,305	1,210,441	3,225,746	3,811,786
Unallocated corporate liabilities								713,022
Consolidated total liabilities								6,447,803

Other information

	Continuing operations				Discontinued operations			
	Property development HK$'000	Property investment HK$'000	Others HK$'000	Sub-total HK$'000	Gas fuel business HK$'000	Electricity supplies HK$'000	Sub-total HK$'000	Consolidated HK$'000
Capital additions	4,870	–	20	4,890	715,906	215,160	931,066	935,956
Goodwill additions	–	–	–	–	60,684	108,010	168,694	168,694
Depreciation and amortisation	9,158	–	582	9,740	63,724	95,016	158,740	168,480
Release of prepaid lease payments	–	–	–	–	1,506	968	2,474	2,474
Impairment loss on goodwill	–	–	–	–	–	6,405	6,405	6,405

(B) Geographical segments

As over 90% of the consolidated turnover, trading results and assets for both years is derived from, or located in, the People's Republic of China (the "PRC"), an analysis of the consolidated turnover, trading results and assets by geographical location is not presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

7. OTHER INCOME

Other income mainly comprises of:

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest income on:						
– bank deposits	**14,342**	4,966	**10,203**	65,737	**24,545**	70,703
– loan receivables	**170,764**	–	**–**	–	**170,764**	–
Dividend income from unlisted available-for-sale investments	**–**	–	**503**	5,346	**503**	5,346
Gain on disposal of property, plant and equipment, net	**13**	–	**873**	–	**886**	–
Changes in fair value of convertible option of exchangeable note	**–**	7,227	**–**	–	**–**	7,227
Rental income	**–**	158	**–**	–	**–**	158
Gain on fair value changes on investments held for trading	**–**	–	**17,476**	11,949	**17,476**	11,949

8. OTHER EXPENSES

Other expenses mainly comprises of:

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Donations	**–**	434	**2,012**	814	**2,012**	1,248
Loss on disposal of property, plant and equipment, net	**–**	–	**–**	2,444	**–**	2,444
Impairment loss recognised in respect of available-for-sale investments	**–**	50,000	**–**	–	**–**	50,000
Impairment loss recognised in respect of goodwill	**–**	–	**–**	6,405	**–**	6,405

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

9. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on:						
– bank and other borrowings wholly repayable within five years	**30,749**	34,763	**18,949**	71,673	**49,698**	106,436
– bank and other borrowings not wholly repayable within five years	**886**	–	**–**	–	**886**	–
– convertible bonds	**–**	–	**4,195**	22,782	**4,195**	22,782
– senior notes	**–**	–	**32,702**	132,404	**32,702**	132,404
	31,635	34,763	**55,846**	226,859	**87,481**	261,622
Net interest payable (receivable) on interest rate swaps	**–**	–	**16,790**	(43,988)	**16,790**	(43,988)
	31,635	34,763	**72,636**	182,871	**104,271**	217,634
Less: Amount capitalised to properties under development for sale	**(31,635)**	(31,916)	**–**	–	**(31,635)**	(31,916)
Amount capitalised to construction in progress	**–**	–	**–**	(7,196)	**–**	(7,196)
	–	2,847	**72,636**	175,675	**72,636**	178,522
Bank charges	**–**	4,057	**–**	224	**–**	4,281
	–	6,904	**72,636**	175,899	**72,636**	182,803

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.8% (2005: 4.2%) and nil (2005: 5.3%) to expenditure on qualifying assets in continuing and discontinued operations respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

10. PROFIT BEFORE TAXATION

	Continuing operations		Discontinued operations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit before taxation has been arrived at after charging:						
Amortisation of intangible assets (included under administrative expenses)	**–**	–	**661**	428	**661**	428
Auditors' remuneration	**1,485**	1,140	**514**	3,154	**1,999**	4,294
Depreciation of property, plant and equipment	**7,364**	9,740	**48,012**	158,312	**55,376**	168,052
Release of prepaid lease payments	**81**	–	**1,508**	2,474	**1,589**	2,474
Operating lease rentals in respect of land and buildings	**6,808**	974	**2,516**	11,318	**9,324**	12,292
Staff costs including directors' remuneration	**50,221**	44,230	**36,320**	102,291	**86,541**	146,521
Share based payments	**12,113**	23,338	**4,847**	17,055	**16,960**	40,393
Total staff cost	**62,334**	67,568	**41,167**	119,346	**103,501**	186,914
Share of tax of associates (included in share of results of associates)	**5,736**	–	**514**	3,573	**6,250**	3,573
and after crediting:						
Rental income, net of outgoings of approximately HK$1,451,000 (2005: HK$2,781,000)	**13,831**	8,660	**–**	–	**13,831**	8,660

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

11. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 7 (2005: 8) directors were as follows:

	Year ended 31 December 2006							
	Mr. Ou Yaping *HK$'000*	Mr. Tang Yui Man Francis *HK$'000*	Mr. Chen Wei *HK$'000*	Mr. Law Sze Lai *HK$'000*	Mr. Xin Luo Lin *HK$'000*	Mr. Davin Alexander MacKenzie *HK$'000*	Mr. Tian Jin *HK$'000*	Total *HK$'000*
Fees	–	–	–	–	313	313	250	876
Other emoluments								
Salaries and other benefits	5,786	2,940	1,160	1,400	–	–	–	11,286
Retirement benefits scheme contributions	48	18	11	29	–	–	–	106
Share-based payments	–	2,585	2,075	584	146	146	187	5,723
Total emoluments	5,834	5,543	3,246	2,013	459	459	437	17,991

	Year ended 31 December 2005								
	Mr. Ou Yaping *HK$'000*	Mr. Tang Yui Man Francis *HK$'000*	Mr. Chen Wei *HK$'000*	Mr. Law Sze Lai *HK$'000*	Mr. Xin Luo Lin *HK$'000*	Mr. Davin Alexander MacKenzie *HK$'000*	Mr. Tian Jin *HK$'000*	Mr. Li Zhi Xiang *HK$'000*	Total *HK$'000*
Fees	–	–	–	–	500	500	156	–	1,156
Other emoluments									
Salaries and other benefits	6,280	5,478	3,961	1,600	–	–	–	–	17,319
Retirement benefits scheme contributions	66	36	56	29	–	–	–	–	187
Share-based payments	–	6,432	4,902	1,747	437	500	–	–	14,018
Total emoluments	6,346	11,946	8,919	3,376	937	1,000	156	–	32,680

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any remunerations for the year ended 31 December 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2005: four) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining individual were as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other emoluments benefits	**1,297**	3,024
Retirement benefits scheme contributions	**12**	160
	1,309	3,184

During the year, no remunerations was paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. TAXATION

	Continuing operations		**Discontinued operations**		**Consolidated**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
The charge comprises:						
PRC Enterprise Income Tax						
– current year	**157,670**	62,855	**3,040**	41,376	**160,710**	104,231
– under(over) provision in respect of prior years	**48**	–	**–**	(6,312)	**48**	(6,312)
PRC land appreciation tax	**6,886**	–	**–**	–	**6,886**	–
	164,604	62,855	**3,040**	35,064	**167,644**	97,919
Deferred taxation *(note 35)*	**251,876**	36,117	**–**	–	**251,876**	36,117
	416,480	98,972	**3,040**	35,064	**419,520**	134,036

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

The tax rates applicable to the PRC subsidiaries range 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 has been provided for after taking these tax incentives into account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

13. TAXATION *(Continued)*

PRC land appreciation tax ("LAT") is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including costs of land and development and construction expenditures. According to local rules issued by the Shenzhen Government, property developers in Shenzhen are required to file for and pay LAT for sales contracts signed since 1 November 2005. In the opinion of the directors, the Group's property development projects are located in Shenzhen and thus the LAT for the Group has been accrued based on this local statutory requirement.

The management of the Group considers that according to Shefubanhan [2005] No. 93, Shendishuifa [2005] and other relevant tax regulations in Shenzhen, LAT is levied on the profits arising from property development projects and transfer of real estate in Shenzhen levied by entities and individuals with effective from 1 November 2005.

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

	2006 ***HK$'000***	2005 *HK$'000*
Profit before taxation		
Continuing operations	**1,150,696**	496,432
Discontinued operations	**274,076**	624,870
	1,424,772	1,121,302
Tax at the applicable tax rate of 15% (2005: 33%) *(Note)*	**213,716**	370,030
Tax effect of expenses that are not deductible for tax purposes	**34,634**	172,942
Tax effect of income that is exempted from PRC enterprise income tax and other regions in determining taxable profit	**(101,726)**	(177,952)
Effect of different tax rates of subsidiaries entitled to a 50% reduction in PRC enterprise income tax rates and operating in different provinces	**(4,406)**	(229,619)
Land appreciation tax deductible for calculation of income tax purposes	**(43,706)**	–
Tax effect of share of results of associates	**20,307**	(6,873)
Tax effect of utilisation of tax losses not previously recognised	**(239)**	(243)
Tax effect of tax losses not recognise	**9,521**	12,063
Under(over)provision of taxation in previous years	**48**	(6,312)
	128,149	134,036
Land appreciation tax	**291,371**	–
Taxation for the year	**419,520**	134,036

Note: The tax rate of 15% for the year ended 31 December 2006 (2005: 33%) represents PRC Enterprise Income Tax which is applicable to most of the Group's operations in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

14. DISCONTINUED OPERATIONS

On 22 March 2006, the Board of the Company declared a special interim dividend to be satisfied by way of a distribution in specie of shares of Enerchina Holdings Limited ("Enerchina") held by the Company in the proportion of 5 Enerchina shares for every 10 shares held by the shareholders of the Company. Following the distribution in specie on 13 April 2006, whereby bringing the shareholding of the Company in Enerchina from 74.79% to 45.39%, Enerchina became an associate of the Company after the distribution. Accordingly, certain comparative figures were restated so as to reflect the results for the discontinued operations.

	1.1.2006 to 13.4.2006	1.1.2005 to 31.12.2005
	HK$'000	*HK$'000*
Profit for the period/year from discontinued operations is analysed as follows:		
(Loss) profit of gas fuel business and electricity supplies operations for the period/year	**(4,002)**	368,611
Gain on disposal/partial disposal of gas fuel business and electricity supplies operations	**277,143**	40,794
Gain on group restructuring exercise	**–**	180,401
Loss on deemed disposal of subsidiaries	**(2,105)**	–
	271,036	589,806

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

14. DISCONTINUED OPERATIONS *(Continued)*

The results of the gas fuel business and electricity supplies operations for the period from 1 January 2006 to 13 April 2006, which have been included in the consolidated income statement were as follows:

	Notes	**1.1.2006 to 13.4.2006** *HK$'000*	1.1.2005 to 31.12.2005 *HK$'000*
Turnover	6	**1,002,389**	3,616,231
Cost of sales		**(792,270)**	(2,776,348)
Gross profit		**210,119**	839,883
Other income	7	**37,042**	109,680
Discount on acquisition of subsidiaries/ additional interest of a subsidiary		**23,920**	15,169
Distribution costs		**(20,867)**	(56,849)
Administrative expenses		**(60,063)**	(242,594)
Other expenses	8	**(4,540)**	(14,608)
Gain on disposal/partial disposal of subsidiaries	39	**277,143**	40,794
Gain on group restructuring exercise	15	**–**	180,401
Loss on deemed disposal of subsidiaries		**(2,105)**	–
Gain on disposal of available-for-sale investments		**–**	116,191
Share of results of associates		**(176)**	20,829
Changes in fair value of derivative financial instruments	33	**(113,761)**	(208,127)
Finance costs	9	**(72,636)**	(175,899)
Profit before taxation	10	**274,076**	624,870
Taxation	13	**(3,040)**	(35,064)
Profit for the period/year		**271,036**	589,806
Attributable to:			
Equity holders of the Company		**317,905**	385,281
Minority interests		**(46,869)**	204,525
		271,036	589,806

During the period, Enerchina contributed HK$495 million (2005: HK$166 million) to the Group's net operating cash flows, paid HK$493 million (2005: HK$1,157 million) in respect of investing activities and paid HK$106 million (2005: HK$756 million) in respect of financing activities.

The carrying amounts of the assets and liabilities of Enerchina at the date of disposal are disclosed in note 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

15. GAIN ON GROUP RESTRUCTURING EXERCISE

In prior year, the Group carried out a group restructuring exercise of which the Group disposed of its entire interest of 58.45% in Panva Gas Holdings Limited ("Panva Gas") to a non-wholly owned subsidiary, Enerchina, at a consideration of 2,540,915,880 new shares of Enerchina which was settled by the allotment and issued credited as fully paid to the Group. The effective interest of the Group in Panva Gas decreased from 58.45% to 44.73% immediately after the transaction. A gain of approximately HK$180,401,000 was resulted from the above group restructuring exercise.

16. DIVIDENDS

	2006	2005
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2006 interim of HK$0.03 (2005: HK$0.03) per share	**85,713**	70,544
2005 special interim of HK$0.033 (2006: nil) per share	**–**	77,598
2005 final of HK$0.035 (2004: HK$0.03) per share	**99,768**	70,429
Special dividend, by way of a distribution in species of shares of a subsidiary *(note 39)*	**952,884**	–
	1,138,365	218,571

On 22 March 2006, the board declared a special interim dividend by way of a distribution in respect of Enerchina shares held by the Company in proportion of 5 Enerchina shares for every 10 shares held by the shareholders of the Company. A total of 1,422,214,344 Enerchina shares with the aggregate market value worths HK$952,884,000 were distributed to shareholders of the Company on 13 April 2006.

The final dividend of HK$0.035 per share totalling HK$100,232,000 and a bonus issue of one new share of HK$0.10 credited as fully paid for every eight shares held has been proposed by the directors and are subject to approval by the shareholders in the forthcoming annual general meeting.

17. EARNINGS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	2006	2005
	HK$'000	*HK$'000*
Earnings for the purposes of basic earnings per share, being profit for the year attributable to equity holders of the Company	**962,431**	670,909
Effect of dilutive potential shares:		
Adjustment to the share of results of subsidiaries based on dilution of their earnings per share	**(127)**	(1,250)
Earnings for the purposes of diluted earnings per share	**962,304**	669,659

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For the year ended 31 December 2006

17. EARNINGS PER SHARE *(Continued)*

For continuing and discontinued operations *(Continued)*

	Number of shares	
	2006	2005
Weighted average number of shares for the purposes of basic earnings per share	**2,831,549,256**	2,360,969,665
Effect of dilutive potential shares:		
Share options	**37,219,728**	23,816,091
Weighted average number of shares for the purposes of diluted earnings per share	**2,868,768,984**	2,384,785,756

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the equity holders of the Company is based on the following data:

	2006	2005
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company	**962,431**	670,909
Less: Profit for the year attributable to equity holders of the Company from discontinued operations *(note 14)*	**(317,905)**	(385,281)
Earnings for the purposes of basic and diluted earnings per share from continuing operations	**644,526**	285,628

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operations is HK11.23 cents per share (2005: HK16.32 cents per share) and diluted earnings per share for the discontinued operations is HK11.08 cents per share (2005: HK16.10 cents per share), based on the profit for the year attributable to equity holders of the Company from the discontinued operations for basic and diluted earnings per share of HK$317,905,000 (2005: HK$385,281,000) and HK$317,778,000 (2005: HK$384,031,000) respectively. The denominators used are the same as those detailed above for both basic and diluted earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings 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
COST							
At 1 January 2005	192,962	283,597	53,041	820,420	42,037	1,053,100	2,445,157
Currency realignment	5,475	7,348	1,256	22,280	1,106	29,635	67,100
Additions	24,323	212,893	4,855	471,725	7,729	68,210	789,735
Acquired on acquisition of subsidiaries	35,801	662	989	72,793	3,649	32,327	146,221
Disposals	(11,443)	(2,923)	(1,521)	(233)	(3,339)	(11,327)	(30,786)
Reclassification	5,881	(436,000)	(2,835)	19,883	–	413,071	–
Transfer from stock of properties	3,580	–	–	–	–	–	3,580
At 31 December 2005	256,579	65,577	55,785	1,406,868	51,182	1,585,016	3,421,007
Currency realignment	2,179	–	1,280	–	348	–	3,807
Additions	7,482	1,915	826	53,074	3,054	13,793	80,144
Acquired on acquisition of subsidiaries	87,557	203	3,082	229,981	6,470	46,715	374,008
Disposals	(9,768)	–	(1,206)	(6,955)	(2,624)	(724)	(21,277)
Disposed of on disposal of subsidiaries	(288,928)	(67,695)	(20,572)	(1,682,968)	(46,923)	(1,644,800)	(3,751,886)
Transfer from stock of properties	3,048	–	–	–	–	–	3,048
At 31 December 2006	58,149	–	39,195	–	11,507	–	108,851
DEPRECIATION AND AMORTISATION							
At 1 January 2005	25,598	–	29,957	32,269	16,732	49,358	153,914
Currency realignment	996	–	762	1,260	494	4,590	8,102
Provided for the year	12,180	–	4,995	43,445	6,282	101,150	168,052
Eliminated on disposals	(14)	–	(875)	(6)	(1,398)	(1,653)	(3,946)
Reclassification	239	–	297	580	–	(1,116)	–
At 31 December 2005	38,999	–	35,136	77,548	22,110	152,329	326,122
Currency realignment	628	–	1,047	–	160	–	1,835
Provided for the year	4,835	–	4,842	13,713	3,193	28,793	55,376
Eliminated on disposals	(1,302)	–	(153)	–	(1,996)	(14)	(3,465)
Eliminated on disposal of subsidiaries	(17,400)	–	(8,255)	(91,261)	(16,661)	(181,108)	(314,685)
At 31 December 2006	25,760	–	32,617	–	6,806	–	65,183
CARRYING VALUES							
At 31 December 2006	32,389	–	6,578	–	4,701	–	43,668
At 31 December 2005	217,580	65,577	20,649	1,329,320	29,072	1,432,687	3,094,885

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The carrying amount of the Group's leasehold land buildings comprises properties situated in the PRC held under:

	2006	2005
	HK$'000	*HK$'000*
Long leases	**32,289**	34,834
Medium-term leases	**–**	182,746
	32,289	217,580

The above item of property, plant and equipment are depreciated on a straight line basis after taking into account of their estimated residual value, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of the lease and 50 years
Furniture, fixtures and equipment	18% to 40%
Gas pipelines	3%
Motor vehicles	6% to 30%
Plant and machinery	6% to 30%

19. PREPAID LEASE PAYMENTS

	2006	2005
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong:		
Medium-term leases	**–**	125,782
Long leases	**4,959**	–
	4,959	125,782
Analysed for reporting purposes:		
Non-current assets	**4,876**	122,088
Current assets	**83**	3,694
	4,959	125,782

20. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2005	–
Transfer from stock of properties	240,978
Increase in fair value of investment properties	240,778
At 31 December 2005	481,756
Exchange realignment	17,736
Transfer from stock of properties	194,655
Increase in fair value of investment properties	67,096
At 31 December 2006	761,243

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

20. INVESTMENT PROPERTIES *(Continued)*

The fair value of the Group's investment properties at 31 December 2006 have been arrived at on the basis of a valuation carried out on that date by Messrs. DTZ Debenham Tie Leung Limited, Chartered Surveyors, an independent qualified professional valuers not connected with the Group. The valuation, which conforms to the "First Edition of The HKIS Valuation Standards on Properties" published by Hong Kong Institute of Surveyors, was arrived at by considering the capitalised income to be derived from the properties and by reference to sales evidence as available on the market.

Stock of property is transfer to an investment property when commencement of an operating lease to another party. The difference between the fair value of the property at balance sheet date and its previous carrying amount are recognised in profit or loss.

The investment properties are held under long leases and are situated in the PRC.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

At 31 December 2006, the Group's investment properties with a value of HK$338,806,000 (2005: nil) were pledged to secure general banking facilities granted to the Group.

21. INTANGIBLE ASSETS

	HK$'000
COST	
At 1 January 2005	10,035
Currency realignment	260
At 31 December 2005	10,295
Acquired on acquisition of subsidiaries	102,324
Disposed of on disposal of subsidiaries	(112,619)
At 31 December 2006	–
AMORTISATION	
At 1 January 2005	875
Currency realignment	23
Provide for the year	428
At 31 December 2005	1,326
Provide for the year	661
Eliminated on disposal of subsidiaries	(1,987)
At 31 December 2006	–
CARRYING VALUES	
At 31 December 2006	–
At 31 December 2005	8,969

The intangible assets represented the Group's exclusive operating right for city pipeline network.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

22. GOODWILL

	HK$'000
COST	
At 1 January 2005	252,849
Currency realignment	291
Arising on acquisition of subsidiaries *(note 38(c))*	37,040
Arising on acquisition of additional interest in subsidiaries	123,000
Eliminated on partial disposal of interest in subsidiaries	(9,698)
At 31 December 2005	403,482
Arising on acquisition of subsidiaries *(note 38(a))*	11,333
Eliminated on deemed disposal of interest in subsidiaries	(169)
Eliminated on disposal of interest in subsidiaries	(414,646)
At 31 December 2006	–
IMPAIRMENT	
At 1 January 2005	–
Impairment loss recognised for the year	6,405
At 31 December 2005	6,405
Eliminated on disposal of subsidiaries	(6,405)
At 31 December 2006	–
CARRYING VALUES	
At 31 December 2006	–
At 31 December 2005	397,077

23. INTERESTS IN ASSOCIATES

	2006	2005
	HK$'000	*HK$'000*
Cost of investment in associates		
Listed in Hong Kong	**989,401**	–
Unlisted	**4**	340,522
Share of post-acquisition results and reserves	**(25,993)**	125,216
	963,412	465,738
Fair value of listed investments	**1,340,750**	–

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23. INTERESTS IN ASSOCIATES *(Continued)*

Details of the Group's principal associates as at 31 December 2006 are as follows:

Name of associate	Place of establishment and form of business structure	Principal place of operation	Percentage of equity interest attributable to the Group	Principal activities
Enerchina	Bermuda – limited liability company	PRC	45.39%	Supply of electricity, sale and distribution of gas fuel and construction of gas pipelines
Rockefeller Group Asia Pacific, Inc.	BVI – limited liability company	Hong Kong	49%	Investment holding
Shanghai Rockefeller Group d' Bund Master Development Co., Ltd.	PRC – equity interest venture	PRC	44.57%	Property development

Note:

The above list of associates of the Group which, in the opinion of the directors of the Company, principally affected the results of the year or from a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors of the Company, results in particulars of excessive length.

Included in the cost of investment is associates is goodwill of HK$37,254,000 (2005: HK$84,917,000) arising on acquisitions of associates. Details of movements of goodwill are as follows:

	HK$'000
COST	
At 1 January 2005	35,418
Arising from acquisition	49,499
At 31 December 2005	84,917
Eliminated on disposal	(84,917)
Transfer upon the change of status from subsidiaries to associates	37,254
At 31 December 2006	37,254

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

23. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information in respect of the Group's associates is set out below:

	2006	2005
	HK$'000	*HK$'000*
Total assets	**10,120,416**	2,363,744
Total liabilities	**(6,584,458)**	(1,586,270)
	3,535,958	777,474
Revenue	**2,801,779**	1,425,295
(Loss) profit for the year	**(311,713)**	44,139

24. AVAILABLE-FOR-SALE INVESTMENTS

	2006	2005
	HK$'000	*HK$'000*
Unlisted shares in Hong Kong, at cost	**75,000**	75,000
Unlisted shares in the PRC, at cost	**1,990**	189,805
Club debentures, at cost	**1,011**	2,496
	78,001	267,301
Less: Impairment loss recognised	**(75,000)**	(75,000)
	3,001	192,301

As at the balance sheet date, investments in unlisted equity securities issued by private entities incorporated in both Hong Kong and the PRC are measured at cost less impairment because the directors of the Company are of the opinion that their fair values cannot be measured reliably.

25. LOAN RECEIVABLES

	2006	2005
	HK$'000	*HK$'000*
Shareholder's loan receivable		
Principal *(note)*	**1,230,884**	323,567
Interest receivable	**170,763**	–
Long-term receivable	**–**	24,459
	1,401,647	348,026
Less: Loss allocated in excess of cost of investment	**(73,566)**	–
	1,328,081	348,026

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For the year ended 31 December 2006

25. LOAN RECEIVABLES *(Continued)*

Note:

The amount represents shareholder's loan receivable from the Group's associate, Rockefeller Group Asia Pacific, Inc. ("RGAP"), for financing a property development project in Shanghai, which carries simple interest rate at 20% per annum on the total agreed financing amount of US$169 million (equivalent to approximately HK$1,310 million) and forms part of the net investment of the Group in RGAP. The amount is unsecured and not repayable in the foreseeable future.

The fair value of the Group's loan receivables as at the balance sheet, determined based on the present value of the estimated future cash flows discounted using the prevailing rate at the balance sheet date approximates to the amount of the receivables of HK$1,401,647,000 (2005: HK$348,026,000).

26. STOCK OF PROPERTIES

	2006	2005
	HK$'000	*HK$'000*
Properties under development	**413,933**	2,337,278
Stock of properties held for sale	**1,505,242**	13,067
	1,919,175	2,350,345

Stock of properties were stated at cost. Included in the stock of properties is interest capitalised of HK$152,590,000 (2005: HK$156,748,000).

The stock of properties were located in the PRC under long leases. Properties under development which are expected to be recovered in more than twelve months after the balance sheet date are classified under current asset as it is expected to be realised in the Group's normal operating cycle.

27. INVENTORIES

	2006	2005
	HK$'000	*HK$'000*
Gas fuel	**–**	27,852
Fuel oil	**–**	125,023
Consumable stores	**–**	39,126
	–	192,001

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28. 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$1,216,000 (2005: HK$651,495,000), the aged analysis of which is as follows:

	2006	2005
	HK$'000	*HK$'000*
Trade debtors	**1,216**	651,495
Other receivables	**39,722**	904,439
	40,938	1,555,934
Aged:		
0 to 90 days	**653**	645,366
91 to 180 days	**163**	1,054
181 to 360 days	**306**	1,815
over 360 days	**94**	3,260
	1,216	651,495

The fair values of the Group's trade and other receivables at 31 December 2006 approximate to their carrying amounts.

29. INVESTMENTS HELD FOR TRADING

	2006	2005
	HK$'000	*HK$'000*
Investments held for trading, at fair value		
Listed shares in PRC or Hong Kong	**–**	9,938
Managed funds	**–**	144,561
	–	154,499

The fair values of the above held for trading investments were determined based on the quoted market bid prices of underlying securities available on the relevant exchanges.

30. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates which range from 0.72% to 3.65%.

The fair values of the Group's bank balances and cash at 31 December 2006 approximate to their carrying amounts.

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31. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$386,389,000 (2005: HK$319,014,000), the aged analysis of which is as follows:

	2006	2005
	HK$'000	*HK$'000*
Aged:		
0 to 90 days	**357,951**	285,304
91 to 180 days	**14,700**	11,626
181 to 360 days	**2,209**	2,990
over 360 days	**11,529**	19,094
	386,389	319,014

The fair values of the Group's trade and other payables at 31 December 2006 approximate to their carrying amounts.

32. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts were unsecured, interest free and fully repaid during the year.

The fair values of the amounts due to minority shareholders at 31 December 2005 approximated to their carrying amounts.

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2006	2005
	HK$'000	*HK$'000*
Fair value hedges – interest rate swaps *(note a)*	–	327,680
Conversion option under exchangeable note *(note b)*	–	5,290
	–	332,970

Notes:

(a) The fair value hedge related to the interest rate swaps arrangements entered by the Group to minimise its exposure to fair value changes of its fixed-rate Untied States Dollar bank borrowings by swapping a proportion of the fixed-rate borrowings from fixed rates to floating rates. Major terms of the interest rate swaps are set out below:

Notional amount	**Maturity**	**Swaps**
US$200,000,000	22 September 2011	From 8.25% to MAX (USD LIBOR BBA + 3.72%, 12%)
US$200,000,000	22 September 2011	From (0, 7.12 x Spread rate * + 0.01%) to 8.25%

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33. DERIVATIVE FINANCIAL INSTRUMENTS

Notes: (Continued)

(a) *(Continued)*

* Where:

"Spread Rate" means the rate (expressed as a percentage per annum) calculated in accordance with the following formula:

US$ 30 year CMS – US$ 2 year CMS

"US$ 30 year CMS" means 30-year US$-ISDA-Swap Rate, as such rate appears on the Reuters Screen ISDAFIX1 Page as of or around 11:00 a.m., London time, on the day that is two (2) Banking Days preceding the commencement of the relevant Party A calculation period; and

"US$ 2 year CMS" means 2-year US$-ISDA-Swap Rate, as such rate appears on the Reuters Screen ISDAFIX1 Page as of or around 11:00 a.m., London time, on the day that is two (2) Banking Days preceding the commencement of the relevant Party A calculation period.

The fair value of swaps entered into was estimated at HK$327,680,000 at 31 December 2005. These amounts are based on market prices quoted from financial institutions for equivalent instruments at the balance sheet date. Changes in the fair value of interest rate swaps during the year ended 31 December 2005 of HK$208,127,000 have been recognised in the consolidated income statement.

Enerchina became an associate of the Company after the distribution in specie on 13 April 2006 and thus derivative financial instruments of interest rate swaps arrangement attributable to Enerchina sub-group has been deconsolidated from the Group's consolidated balance sheet upon the change of status of Enerchina from a subsidiary to an associate. The changes in fair value of HK$113,761,000 by reference to the market prices quoted from financial institutions for equivalent instruments at 13 April 2006 have been recognised in the consolidated income statement.

(b) The exchangeable note with principal amount of HK$62,500,000 was issued on 30 October 2004 by a subsidiary of the Company which was subsequently transferred to Enerchina sub-group under the group restructure exercise in 2005. The exchangeable note can be exchangeable into shares of Panva Gas Holdings Limited ("Panva Gas"), a subsidiary of the Company, which is also listed on the Stock Exchange, from the date of issue up to the second anniversary of the date of issue on 30 October 2006 at par at the discretion of the note holder. The fair value of the conversion option derivative was calculated using the Black-Scholes pricing model.

Enerchina became an associate of the Company after the distribution in specie on 13 April 2006 and thus derivative financial instruments of conversion option under exchangeable note attributable to Enerchina sub-group has been deconsolidated from the Group's consolidated balance sheet upon the change of status of Enerchina from a subsidiary to an associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

34. BORROWINGS

	2006 HK$'000	2005 HK$'000
Bank loans – secured	**492,537**	777,815
Bank loans – unsecured	–	959,936
Other loans – unsecured	–	96,758
Exchangeable note *(note a)*	–	61,235
Convertible bonds *(note b)*	–	362,116
Guaranteed senior notes *(note c)*	–	1,553,926
	492,537	3,811,786
Carrying amount repayable:		
On demand or within one year	**154,229**	1,188,708
More than one year but not exceeding two years	**159,204**	303,437
More than two years but not exceeding five years	**149,254**	800,030
More than five years	**29,850**	1,519,611
	492,537	3,811,786
Less: Amount due within one year shown under current liabilities	**(154,229)**	(1,188,708)
Amount due after one year	**338,308**	2,623,078

Notes:

(a) The exchangeable note with principal of HK$62,500,000 was issued on 30 October 2004 by a subsidiary of the Company which was subsequently transferred to Enerchina a sub-group under the group restructure exercise in 2005. The 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 at par at the discretion of the note holder. Interest is payable at 2% per annum. The effective interest rate of the exchangeable note is 3.23%. The fair value of the conversion option was calculated using the Black-Scholes pricing model.

Enerchina became an associate of the Company after the distribution in specie on 13 April 2006 and thus exchangeable note attributable to Enerchina sub-group has been deconsolidated from the Group's consolidated balance sheet upon the change of status of Enerchina from a subsidiary to an associate.

(b) The Enerchina sub-group issued the 2% convertible bonds of US$50,000,000 on 23 April 2003. The bonds are convertible into shares of Panva Gas on or after 7 June 2003 and up to 9 April 2008. The convertible bonds were listed on the Luxembourg Stock Exchange. The conversion price at which each share shall be issued upon conversion is HK$3.8043 per share (adjusted to account for the effect of the issue of additional new shares) subject to adjustment for, subdivision on consolidation of shares, bonus issues, rights issues and other dilutive event. The outstanding unconverted principal amount of the bonds will be redeemed on 23 April 2008 at 108.119%. Interest of 2% is payable per annum. The effective interest rate of the convertible bonds is 6.48%.

The convertible bonds which were issued by Enerchina sub-group have been excluded from the Group's consolidated balance sheet upon Enerchina became an associate of the Company on 13 April 2006.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

34. BORROWINGS *(Continued)*

Notes: (Continued)

(c) The Enerchina sub-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, Panva Gas may redeem up to 35% of the principal amount of the Guaranteed Senior Notes with the net cash proceeds of one or more sales of the Company's shares in an offering at a redemption price of 108.25% of the principal amount of the Guaranteed Senior Notes, plus accrued and unpaid interest, if any, to the redemption date. The effective interest rate of Guaranteed Senior Notes is 8.69%.

The guarantee senior notes which were issued by Enerchina sub-group have been excluded from the Group's consolidated balance sheet upon Enerchina became an associate of the Company on 13 April 2006.

(d) The bank and other loans are mainly carried at floating interest rate at a range of 5.8% to 6.4% per annum.

The fair values of the Group's bank loans approximate to their carrying amounts calculated by discounting the future cash flows at the prevailing market borrowing rate for similar borrowings at the balance sheet date.

35. DEFERRED TAXATION

	Revaluation surplus	Land appreciation tax	Intangible assets	Other temporary difference	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(note)*	*HK$'000*
At 1 January 2005	–	–	–	–	–
Charge to consolidated income statement	36,117	–	–	–	36,117
At 31 December 2005 and 1 January 2006	36,117	–	–	–	36,117
Charge to consolidated income statement	10,064	284,485	–	(42,673)	251,876
Acquisitions of subsidiaries	–	–	34,740	–	34,740
Disposal of subsidiaries	–	–	(34,740)	–	(34,740)
At 31 December 2006	46,181	284,485	–	(42,673)	287,993

Note: The amount represents temporary difference arising from land appreciation tax deductible for calculation of income tax purpose.

At the balance sheet date, the Group has estimated unused tax losses of HK$88,795,000 (2005: HK$176,993,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$18,688,000 (2005: nil) that will be expired within five years. The remaining unrecognised tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

36. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Shares of HK$0.10 each		
Authorised:		
At 1 January 2005, 31 December 2005 and 31 December 2006	4,800,000,000	480,000
Issued and fully paid:		
At 1 January 2005	2,333,452,240	233,345
Issue of shares on placing and subscription arrangements	280,000,000	28,000
Issue of shares on the exercise of share options	21,460,000	2,146
At 31 December 2005	2,634,912,240	263,491
Issue of shares on placing and subscription arrangements	189,456,448	18,946
Issue of shares on the exercise of share options	39,400,000	3,940
At 31 December 2006	2,863,768,688	286,377

Changes in the share capital of the Company during the year ended 31 December 2005 are as follows:

(a) Pursuant to a placing and subscription agreement entered by the Company on 9 December 2005, the Company allotted and issued 280,000,000 new shares of HK$0.10 each at subscription price of HK$1.95 per share to independent investors.

(b) The Company allotted and issued a total of 6,400,000 and 15,060,000 shares of HK$0.10 each for cash at the exercise prices of HK$0.56 and HK$0.76 per share respectively as a result of the exercise of share option.

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

(c) Pursuant to a placing and subscription agreement entered by the Company on 25 January 2006, the Company allotted and issued 189,456,448 new shares of HK$0.10 each at subscription price of HK$2.34 per share to independent investors.

(d) The Company allotted and issued a total of 6,360,000 and 33,040,000 shares of HK$0.10 each for cash at the exercise prices of HK$0.76 and HK$1.126 per share respectively as a result of share option.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

37. RESERVES

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 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 deemed contribution arising from waiver of loan from the minority shareholders of the subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

38. ACQUISITION OF SUBSIDIARIES

The summary of the acquisition of subsidiaries, the net assets acquired in the transaction and the goodwill or discount arising on acquisition are as follows:

(a) On 1 January 2006, the Enerchina sub-group acquired a 61.67%, 90% and 80% equity interests in Qiqihar Panva Gas Co., Ltd. ("Qiqihar Panva"), Chaoyang Panva Gas Co., Ltd. and Tieling Panva Gas Co., Ltd., respectively, at an aggregated consideration of HK$182,583,000.

	Acquiree's carrying amount before acquisition	**Fair value adjustments**	**Fair value**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	268,102	–	268,102
Prepaid lease payments	42,951	–	42,951
Intangible assets	–	65,154	65,154
Inventories	18,711	–	18,711
Trade and other receivables	15,534	–	15,534
Amounts due from minority shareholders	7,650	–	7,650
Bank balances and cash	76,252	–	76,252
Trade and other payables	(118,903)	–	(118,903)
Amounts due to minority shareholders	(1,831)	–	(1,831)
Borrowings	(107,510)	–	(107,510)
Deferred taxation	(973)	(21,501)	(22,474)
Net assets acquired	199,983	43,653	243,636
Minority interests			(56,708)
Goodwill			11,333
Discount on acquisition			(15,678)
			182,583
Satisfied by:			
Cash			163,923
Transfer from available-for-sale investments			18,660
			182,583
Net cash outflow arising on acquisition:			
Cash consideration			163,923
Bank balances and cash acquired			(76,252)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			87,671

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

38. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) On 1 March 2006, the Enerchina sub-group acquired a 100% equity interest in 深圳北科蘭光能源系統技術有限責任公司 ("Beike Lan Guang Group") at a consideration of HK$85,750,000.

	Acquiree's carrying amount before acquisition	Fair value adjustments	Fair value
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Property, plant and equipment	105,906	–	105,906
Prepaid lease payments	8,342	–	8,342
Intangible assets	–	37,170	37,170
Inventories	3,510	–	3,510
Trade and other receivables	60,955	–	60,955
Bank balances and cash	821	–	821
Trade and other payables	(105,693)	–	(105,693)
Borrowings	(3,604)	–	(3,604)
Deferred taxation	–	(12,266)	(12,266)
Net assets acquired	70,237	24,904	95,141
Minority interests			(5,649)
Discount on acquisition			(3,742)
			85,750
Satisfied by:			
Cash			85,750
Net cash outflow arising on acquisition:			
Cash consideration			85,750
Bank balances and cash acquired			(821)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			84,929

These transactions have been accounted for using the purchase method of accounting.

The discount on the above acquisitions of HK$19,420,000 is attributable to the acquisitions of a 61.67% equity interest in Qiqihar Panva and a 100% equity interest in Beike Lan Guang Group. The discount on acquisitions of subsidiaries was attributable to the ability of the Group in negotiating the agreed terms of transactions with the vendors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

38. ACQUISITION OF SUBSIDIARIES *(Continued)*

The subsidiaries acquired by Enerchina sub-group during the period were under the Group's discontinued operations in gas fuel business which contributed HK$41,020,000 to the Group's turnover and loss of HK$2,924,000 to the Group's profit before taxation in discontinued operations for the period between the date of acquisition and 13 April 2006 (date of discontinuation of the Group's gas fuel business).

If the acquisition had been completed on 1 January 2006, total group revenue from discontinued operations for the period from 1 January 2006 to 13 April 2006 would have been HK$1,010,165,000, and profit for the period from discontinued operations would have been HK$265,642,000. The pro forma information is for illustrative purposes only and is not necessarily an indicative of the revenue and results of the Group in discontinued operations that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

The fair value of the intangible assets acquired, which related to the exclusive operating rights for city pipeline networks, have been determined by reference to professional valuations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

38. ACQUISITION OF SUBSIDIARIES *(Continued)*

(c) In 2005, the Enerchina sub-group acquired a 70%, 70%, 100% and 80% of the registered capital of Beijing Zhonglian of East Engineering and Project Management Consultant Services Co., Ltd., Pengshan Panva Gas Co., Ltd., Jianyang Panva Gas Co., Ltd. and Benxi Panva Gas Co., Ltd., respectively, for an aggregate consideration of HK$133,364,000. The acquisitions have been accounted for using the acquisition method of accounting. The aggregate amount of goodwill arising as a result of the acquisitions was HK$37,040,000.

	2005
	HK$'000
Net assets acquired:	
Property, plant and equipment	146,221
Prepaid lease payments	45,115
Available-for-sale investments	3,977
Inventories	2,366
Trade and other receivables	37,245
Bank balances and cash	23,786
Trade and other payables	(55,138)
Taxation	(516)
Borrowings	(80,259)
	122,797
Minority interests	(26,473)
Goodwill	37,040
	133,364
Satisfied by:	
Cash	133,364
Net cash outflow arising on acquisition:	
Cash consideration	(133,364)
Bank balances and cash acquired	23,786
Net outflow of cash and cash equivalents in respect of acquisition of subsidiaries	(109,578)

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

The subsidiaries acquired during the year ended 31 December 2005 contributed HK$224,313,000 to the Group's turnover and HK$95,851,000 to the Group's profit before taxation.

If the acquisitions made during the year ended 31 December 2005 had been completed on 1 January 2005, total group revenue for the year ended 31 December 2005 would have been HK$4,803,220,000, and profit for the year ended 31 December 2005 would have been HK$1,055,325,000. The pro forma information is for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 January 2005, nor is it intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

39. DISPOSAL OF SUBSIDIARIES

As referred to in note 14, the Company's shareholding in Enerchina sub-group decreased from 74.79% to 45.39% following the distribution in specie on 13 April 2006. Enerchina became an associate of the Company. The net assets of Enerchina at the date of disposal of shareholding were as follows:

	Notes	13.4.2006 HK$'000
Property, plant and equipment		3,437,201
Prepaid lease payments		177,922
Intangible assets		110,632
Goodwill		346,856
Interests in associates		645,571
Available-for-sale investments		172,630
Pledged bank deposits		282,727
Loan receivables		24,459
Inventories		217,780
Trade and other receivables		1,225,118
Investments held for trading		171,975
Bank balances and cash		1,232,408
Trade and other payables		(863,700)
Amounts due to minority shareholders		(29,920)
Taxation		(81,774)
Deferred taxation		(34,740)
Borrowings		(3,311,120)
Derivatives financial instruments		(431,413)
Net assets disposed of		3,292,612
Equity component of convertible bonds of a listed subsidiary of Enerchina		(48,350)
Equity component of share option reserve of Enerchina and its listed subsidiary		(25,563)
Minority interests		(1,606,354)
Attributable goodwill		61,385
		1,673,730
Transferred to interests in associates	23	(989,401)
		684,329
Translation reserve realised		(8,588)
		675,741
Gain on disposal	14	277,143
Total consideration		952,884
Satisfied by:		
Special interim dividend in specie	16	952,884
Net cash outflow arising on disposal:		
Bank balances and cash disposed of		(1,232,408)

The impact of Enerchina on the Group's results and cash flows in the current and prior periods is disclosed in note 14.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

40. RELATED PARTY TRANSACTIONS

Save as disclosed in note 25, the Group had the following transactions with related parties during the year.

Name of related party	Nature of transaction	*Notes*	**2006** **HK$'000**	2005 *HK$'000*
RGAP	Interest income on shareholder's loan	*a*	170,764	–
Shanghai Rockefeller Group d' Bund Master Development Co., Ltd. ("Shanghai Rockefeller")	Project management fee income	*a*	28,378	–
Skillful Assets Limited	Rental expenses	*b*	996	996
Enerchina	Office expenses paid	*c*	948	–
Panva Gas Holdings Limited ("Panva Gas")	Office expenses paid	*c*	976	–
Mr. Chen Wei	Sales of properties	*d*	4,587	–
Powerjoy Limited	Sales of properties	*e*	9,321	–
Ms Law Ling	Sales of properties	*f*	4,914	–
Ms Law Sze	Sales of properties	*f*	4,900	–
Mr. Lu Yungang	Sales of properties	*g*	2,779	–
Plot Holdings Limited	Sales of properties	*h*	5,557	–

Notes:

(a) RGAP and Shanghai Rockefeller are associates of the Group.

(b) A company controlled by Mr. Ou Yaping, a director of the Company and of which Mr. Ou Yaping is also a director.

(c) Enerchina and Panva Gas have become associates of the Group since 13 April 2006.

(d) Mr. Chen is an executive director of the Company.

(e) Powerjoy Limited is a company owned by Mr. Xiang Ya Bo and his spouse Ms. Wu Hang Wa. Mr. Xiang Ya Bo is an executive director of Enerchina.

(f) Ms Law Ling and Ms Law Sze are the daughters of Mr. Law Sze Lai, an executive director of the Company.

(g) Mr. Lu Yungang is an independent non-executive director of Enerchina.

(h) Plot Holdings Limited, a company owned by Mr. Ou Yafei, the brother of Mr. Ou Yaping, the director of the Company.

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

41. SHARE OPTIONS

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 employees 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:

	Number of share options				
Option type	**Outstanding at beginning of year**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at end of year**
For the year ended 31 December 2006	112,840,000	7,800,000	(39,400,000)	(3,150,000)	78,090,000
Exercisable at the end of the year					74,040,000
Weighted average exercise price	1.097	2.042	1.067	2.334	1.159
For the year ended 31 December 2005	31,250,000	104,800,000	(21,460,000)	(1,750,000)	112,840,000
Exercisable at the end of the year					72,660,000
Weighted average exercise price	0.719	1.126	0.700	0.969	1.097

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

	2006	2005
Exercisable period	**31.12.2006 to 24.05.2012**	31.12.2005 to 24.05.2012
Exercise price	**HK$1.410 – HK$2.485**	HK$1.126
Aggregate proceeds if shares are issued	**HK$15,928,000**	HK$118,005,000

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

	2006	2005
Exercisable period	**01.06.2004 to 24.05.2012**	01.06.2004 to 31.05.2008
Exercise price	**HK$0.76 to HK$1.126**	HK$0.56 to HK$0.76
Aggregate issue proceeds	**HK$42,036,000**	HK$15,029,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

41. SHARE OPTIONS *(Continued)*

The weighted average share price at the date of exercise for share options during the year was at a range of HK$1.42 to HK$2.75. During the year ended 31 December 2005, the weighted average share price of the Company at the dates of exercise of the share options was at a range of HK$1.12 to HK$2.05 per share.

During the year, options were granted on 22 January 2006, 24 February 2006 and 30 June 2006. The estimated fair values of the options granted on the date is HK$0.67, HK$0.55 and HK$0.50 per option respectively. During the year ended 31 December 2005, options were granted on 13 January 2005. The estimated fair values of the options granted on the date was HK$0.31 per option.

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2006	2005
Weighted average share price	**HK$1.964**	HK$1.140
Weighted average exercise price	**HK$2.042**	HK$1.126
Expected volatility	**39% – 46%**	50% p.a.
Expected life	**4.5 years**	4.5 years
Risk free rate	**4.043% – 4.691% p.a.**	2.62% p.a.
Expected dividend yield	**3.43% – 3.92% p.a.**	4.93% p.a.

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

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years.

The Group recognised total expenses of HK$16,960,000 (2005: HK$40,393,000) for the year ended 31 December 2006 in relation to share options granted by the Company and its listed subsidiaries.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. At each balance date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit and loss over the remaining vesting period, with a corresponding adjustment to the share options reserve.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

42. 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 consolidated 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$6,340,000 (2005: HK$7,958,000).

43. CONTINGENT LIABILITIES

	2006	2005
	HK$'000	*HK$'000*
Guarantees given to banks for the mortgage loans arranged for the purchasers of the Group's properties	**165,565**	703,997

No financial liabilities were recorded as, in the opinion of the directors, the fair values of the financial guarantee contracts were not significant during both years.

44. COMMITMENTS

	2006	2005
	HK$'000	*HK$'000*
Commitments in respect of properties under development:		
– contracted for but not provided in the consolidated financial statements	**486,767**	594,269
– authorised but not contracted for	**273,329**	–
Committed funding to an associate in respect of a property redevelopment project	**91,869**	1,132,715

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45. OPERATING LEASE COMMITMENTS

The Group as lessor

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:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**12,235**	10,352
In the second to fifth year inclusive	**45,859**	39,141
Over five years	**82,332**	78,680
	140,426	128,173

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

The Group as lessee

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

	2006	2005
	HK$'000	*HK$'000*
Within one year	**4,600**	34,013
In the second to fifth years inclusive	**216**	11,992
Over five years	**–**	13,424
	4,816	59,429

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

Leases are negotiated for terms ranging from one to five years.

46. PLEDGE OF ASSETS

At 31 December 2006, bank deposits of HK$20,607,000 (2005: HK$285,145,000), land held under long leases included in stock of properties under development with carrying amount of HK$264,716,000 (2005: HK$253,851,000) and investment properties with an aggregate carrying amount of HK$338,806,000 (2005: nil) were pledged to banks to secure general banking facilities granted to the Group. The development expenditures incurred for the stock of properties under pledge amounted to HK$149,217,000 (2005: HK$67,597,000). In addition, at 31 December 2005, other property, plant and equipment with an aggregate carrying amount of approximately HK$852,295,000 (2006: nil) were also pledged to banks to secure general banking facilities granted to the Group. The pledged bank deposits carry at prevailing market interest rate. The fair values of pledged bank deposits at 31 December 2006 approximate to their carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

47. LIST OF SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2006 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 Directly	Indirectly	Principal activities
Executive Choice Investment Limited	BVI	US$1	100%	–	Investment holding
Firstline 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	RMB200,000,000	–	87%	Property development
Shenzhen Sinolink Property Management Co., Ltd. 深圳百仕達物業管理有限公司	PRC – Foreign equity joint venture	RMB2,000,000	–	82.80%	Property management
Sinolink International Investment (Group) Limited	BVI	US$1	–	100%	Investment holding
Sinolink LPG Development Limited	BVI	US$1	–	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2006

47. LIST OF 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 Directly	Indirectly	Principal activities
Sinolink Petrochemical Investment Limited	BVI	US$1	–	100%	Investment holding
Sinolink Progressive Limited	BVI	US$47,207	100%	–	Investment holding
Sinolink Properties Agent Limited 百仕達物業代理有限公司	Hong Kong	HK$10,000	–	100%	Property agent
Sinolink Properties Limited 百仕達地產有限公司	PRC – Foreign equity joint venture	RMB375,000,000	–	80%	Property development
Sinolink Shanghai Investment Ltd.	BVI	US$1	100%	–	Investment holding
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

Except for 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 the end of the year.

PARTICULARS OF MAJOR PROPERTIES

At 31 December 2006

	Description	Type of use	GFA (M2)	Effective % held	Stage of completion	Anticipated completion
1.	Sinolink Garden Phase IV Western District Taining Road, Taibai Road, Buxin Road, Luowu District, Shenzhen, Guangdong Province	Residential	191	80%	Completed in 2005	N/A
2.	Sinolink Garden Phase V Eastern District Taining Road, Taibai Road, Buxin Road, Luowu District, Shenzhen, Guangdong Province	Residential/ commercial	226,231	80%	Construction in progress	2008
3.	Mangrove West Coast Development Land lot no. 7207-0026 Bin Hai Da Dao North, Sha He Dong East, Nanshan, Shenzhen, Guangdong Province	Residential	155,353	87%	Completed in 2006	N/A

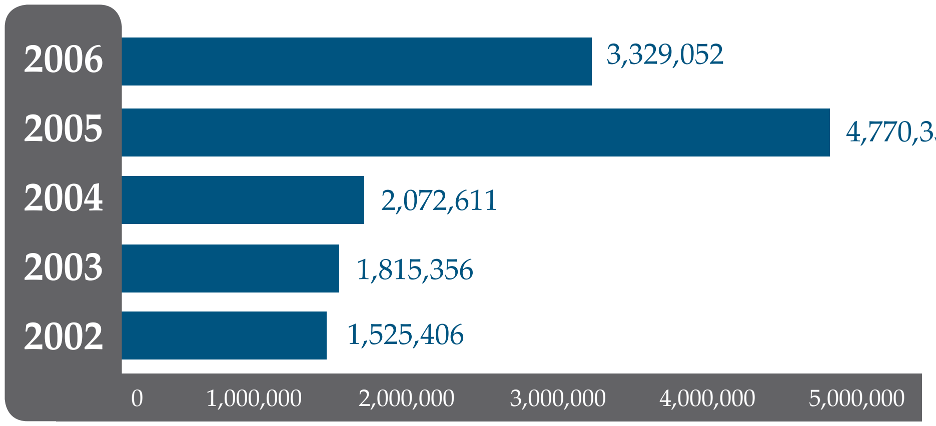
PARTICULARS OF MAJOR PROPERTIES

At 31 December 2006

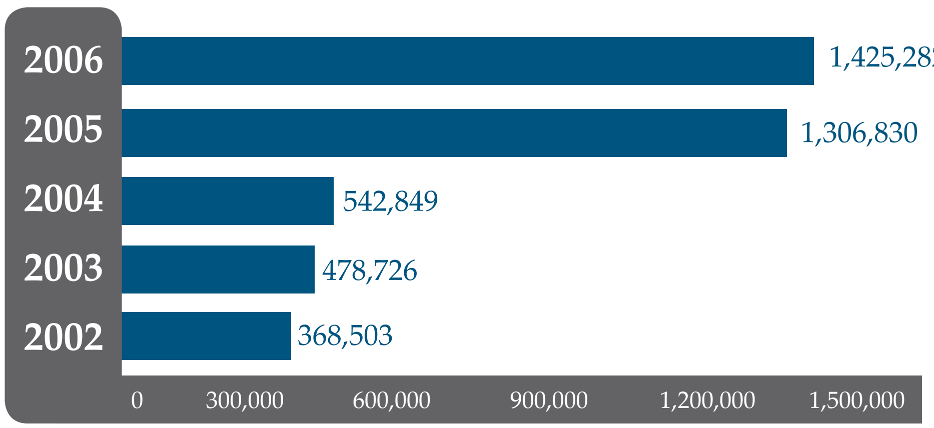
	Property	Type of use	Effective GFA (M2)	% held
1.	518 car parks at Residence Club House Phase 1 Sinolink Garden Taining Road Luowu District Shenzhen	Car parks	16,500	80%
2.	Shops of the basement Phase 3 Sinolink Garden Taibai Road Luowu District Shenzhen	Shops	729	80%
3.	Shop unit Nos. 1,2, and 3 on level 1 and whole floor of level 2 Sinolink Ancillary Building No. 8 Dongxiao Road Luowu District Shenzhen	Shops	2,376	80%
4.	Unit Nos. 101,102 ad 103 Ancillary Building West District, Phase 4, Sinolink Garden Taining Road Luowu District Shenzhen	Commercial	20,232	80%
5.	4 lorry parking spaces and 1,070 car parks Phase 4, Sinolink Garden Taining Road Luowu District Shenzhen	Car parks	44,000	80%
6.	1,700 car parks at Residence Club House Mangrove West Coast Development Land lot no. 7207-0026 Bin Hai Da Dao North Sha He Dong East, Nanshan Shenzhen, Guangdong Province	Car parks	85,000	87%

FINANCIAL HIGHLIGHTS

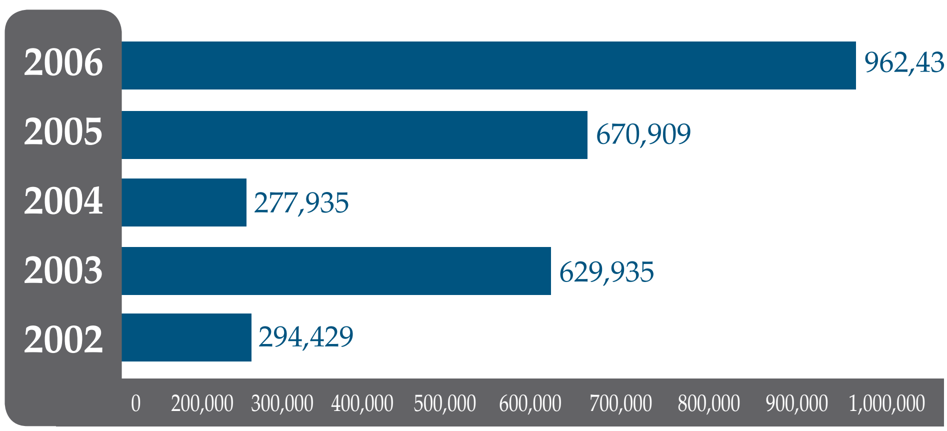
TURNOVER (HK$’000)



GROSS PROFIT (HK$’000)



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (HK$’000)



FINANCIAL SUMMARY

For the year ended 31 December 2006

	For the year ended 31 December				
	2002	2003	2004	2005	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
RESULTS					
Turnover	1,525,406	1,815,356	2,072,611	4,770,352	**3,329,052**
Profit before taxation	389,245	805,247	442,913	1,121,302	**1,424,772**
Taxation	(16,068)	(48,654)	(23,504)	(134,036)	**(419,520)**
Profit for the year	373,177	756,593	419,409	987,266	**1,005,252**
Attributable to:					
Equity holders of the Company	294,429	629,935	277,935	670,909	**962,431**
Minority interests	78,748	126,658	141,474	316,357	**42,821**
	373,177	756,593	419,409	987,266	**1,005,252**
	HK cents	*HK cents*	*HK cents*	*HK cents*	***HK cents***
Earnings per share					
Basic	16.17	28.15	12.03	28.42	**33.99**
Diluted	15.40	27.54	11.40	28.08	**33.54**

	As at 31 December				
	2002	2003	2004	2005	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	3,365,046	4,691,596	9,824,945	11,804,942	**5,585,258**
Total liabilities	(1,331,096)	(1,630,302)	(5,436,197)	(6,447,803)	**(1,438,502)**
	2,033,950	3,061,294	4,388,748	5,357,139	**4,146,756**
Equity attributable to equity holders of the Company	1,579,216	2,186,738	2,437,505	3,441,968	**3,829,427**
Equity component of convertible bonds of a listed subsidiary	–	–	48,350	48,350	**–**
Equity component of share option reserve of listed subsidiaries	–	–	3,813	20,717	**–**
Minority interests	454,734	874,556	1,899,080	1,846,104	**317,329**
	2,033,950	3,061,294	4,388,748	5,357,139	**4,146,756**