

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2002

## 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Company was incorporated in the Cayman Islands on 20 July 2000 as an exempt company under the Companies Law and its shares have been listed on The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 10 May 2001. During the year, the Company withdrew the listing of its shares on GEM. On 3 June 2002, the Company has by way of introduction listed its entire issued share capital on the Main Board of the Stock Exchange. Its ultimate holding company is Easywin Enterprises Limited (“Easywin”), a limited company incorporated in the British Virgin Islands.

Under a group reorganisation scheme to rationalise the structure of the Group in preparation for the listing of the Company’s shares on GEM, the Company became the holding company of the other companies comprising the Group on 28 March 2001.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 39.

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the following revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the inclusion of the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

### **Basis of consolidation**

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Goodwill

Goodwill (negative goodwill) represents the difference between the cost of acquisition and the fair value of the Group's share of the identifiable assets and liabilities of a subsidiary at the effective date of acquisition.

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

Goodwill arising on acquisition on or after 1 January 2001 is capitalised and amortised on a straight line basis over its economic useful life which is not more than 20 years. Negative goodwill arising on acquisition on or after 1 January 2001 is recognised as income on a systematic basis over the remaining weighted average useful lives of the non-monetary assets acquired.

On disposal of a subsidiary, the attributable amount of unamortised goodwill or goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

#### Revenue recognition

Gas connection revenue is recognised when the outcome of a 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 it is probable to be recoverable.

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

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

Rental income from properties under operating leases is recognised on a straight line basis over the lease terms.

Service income is recognised at the time when services are rendered.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Property, plant and equipment

Property, plant and equipment other than land and buildings and construction in progress are stated at cost less depreciation and amortisation and identified impairment losses.

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

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

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

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

Land use rights	Over the shorter of the term of the lease or the operation period of the relevant company
Buildings	Over the shorter of 30 years or the operation period of the relevant company
Pipelines	Over the shorter of 30 years or the operation period of the relevant company
Machinery and equipment	10 years
Motor vehicles	6 years
Office equipment	6 years

#### Construction in progress

Construction in progress represents machinery and pipelines under construction and is stated at cost. Cost comprises direct and indirect costs of acquisition or construction. Completed items are transferred from construction in progress to proper categories of property, plant and equipment when they are ready for their intended use.

#### Investments in subsidiaries

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Jointly controlled entity

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

The Company's investments in jointly controlled entities are stated at cost, as reduced by any identified impairment loss, as appropriate.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the assets. Capitalisation of such borrowing costs ceases when these qualifying assets are substantially ready for their intended use or sale.

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

#### Inventories

Inventories, including construction materials, gas appliances and gas for sales, consumables and spare parts are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value is based on estimated selling prices in the ordinary course of business less estimated costs to completion and the estimated costs necessary to make the sale.

#### Construction contracts

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

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

#### Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure on development is charged to the income statement in the year in which it is incurred except where a major project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its estimated economic life.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### **Taxation**

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the income statement. The tax effect of the resulting timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

#### **Foreign currencies**

The Company and its subsidiaries maintain their books and records in Renminbi ("RMB"), the currency of which the majority of transactions are conducted. Transactions denominated in currencies other than RMB are initially recorded into RMB at the applicable rates of exchange quoted by The People's Bank of China ("PBOC") prevailing at the dates of the transactions. Monetary assets and liabilities denominated in other currencies are re-translated into RMB at the applicable PBOC rates in effect at the period end dates. Gains and losses arising on exchange are dealt with in the income statement.

#### **Retirement benefit scheme contribution**

The retirement benefit scheme contribution charged to the income statement represents the Group's contribution payable to the retirement funds scheme managed by local social security bureau in accordance with the government regulations of the People's Republic of China (the "PRC").

#### **Operating leases**

Rentals payable under operating leases are charged to the income statement on a straight line basis over the relevant lease term.

#### **Impairment**

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

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

**4. TURNOVER**

	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Turnover comprises the following:		
Gas connection fees	<b>330,915</b>	184,796
Distributions of bottled liquefied petroleum gas	<b>130,445</b>	–
Sales of piped gas	<b>73,588</b>	50,594
Sales of gas appliances	<b>9,544</b>	5,170
	<b>544,492</b>	240,560

**5. OTHER OPERATING INCOME**

	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Other operating income comprises the following:		
Incentive subsidies (Note)	<b>5,208</b>	5,388
Interest income	<b>5,189</b>	2,875
Income from rented premises under operating leases	<b>1,805</b>	1,805
Repair and maintenance income	<b>812</b>	–
Management fee income	<b>264</b>	264
Release of negative goodwill	<b>96</b>	96
Sundry income	<b>4,017</b>	2,906
	<b>17,391</b>	13,334

*Note:*

During the year, Miyun Xinao Gas Company Limited, Langfang Xinao Gas Company Limited and Xinao Langfang Investment Limited, subsidiaries of the Company, applied for a refund of part of the income tax paid as an incentive for the investments in Langfang, the PRC, amounting to RMB5,208,000 (2001: RMB5,388,000). The application was approved by the relevant government authorities. The tax refund was recorded in the year when the relevant approval was obtained.

## 6. PROFIT FROM OPERATIONS

	2002 RMB'000	2001 RMB'000
Profit from operations has been arrived at after charging:		
Amortisation of goodwill included in other operating expenses	906	410
Auditors' remuneration	1,105	947
Depreciation and amortisation of property, plant and equipment	23,853	12,887
Deficit on revaluation of property, plant and equipment	113	–
Loss on disposal of property, plant and equipment	1,196	143
Minimum lease payments under operating leases in respect of land and buildings	1,914	921
Allowance for bad and doubtful debts	1,103	2,180
Research and development expenses	1,678	752
Staff costs	47,246	22,611
Less: Amount capitalised under construction in progress	(5,407)	–
	<b>41,839</b>	22,611

## 7. REMUNERATION OF DIRECTORS AND EMPLOYEES

	2002 RMB'000	2001 RMB'000
<b>Directors</b>		
Fees	191	191
Salaries and other benefits	4,698	3,357
Performance related incentive payments	–	235
Retirement benefits scheme contributions	21	15
	<b>4,910</b>	3,798

The emoluments of the directors were within the following bands:

	2002 RMB'000	2001 RMB'000
Nil to HK\$1,000,000	10	8
HK\$1,000,001 to HK\$1,500,000	1	1

The amounts disclosed above include directors' fees of RMB127,000 (2001: RMB127,000) payable to independent non-executive directors. None of the directors waived any emoluments during the year.

## 7. REMUNERATION OF DIRECTORS AND EMPLOYEES (CONT'D)

### Employees

Details of the emoluments paid by the Group to the five highest paid individuals (including directors, details of whose emoluments are set out above, and employees) are as follows:

	2002 RMB'000	2001 RMB'000
Salaries and other benefits	3,542	3,303
Performance related incentive payments	–	107
Retirement benefits scheme contributions	21	16
	<b>3,563</b>	3,426

	2002 Number of individuals	2001 Number of individuals
Emoluments of the five highest paid individuals were within the following band:		
Nil – HK\$1,000,000	4	4
HK\$1,000,001 – HK\$1,500,000	1	1
Number of directors	5	3
Number of employees	–	2
	<b>5</b>	5

## 8. FINANCE COSTS

	2002 RMB'000	2001 RMB'000
Interest on bank and other loans:		
– wholly repayable within five years	12,291	10,318
– not wholly repayable within five years	1,560	–
	<b>13,851</b>	10,318
Bank charges	2,931	–
	<b>16,782</b>	10,318

No interest was capitalised during the year.



## **9. TAXATION**

The charge represents enterprise income tax in the PRC for the year.

Pursuant to the relevant laws and regulations in the PRC, all 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 is ranging from 7.5% to 16.5%. The charge of PRC enterprise income tax for the years has been provided for after taking these tax incentives into account.

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

## **10. DIVIDENDS**

No dividend has been paid or declared by the Company during the year.

## **11. EARNINGS PER SHARE**

The calculation of basic earnings per share for the year is based on the net profit for the year of approximately RMB127,916,000 (2001: RMB79,267,000) and the weighted average of 711,986,301 (2001: 553,446,575) shares in issue during the year.

No diluted earnings per share is presented as the exercise price of options outstanding during the year was higher than the average market price of the Company's shares.

**12. PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings	Pipelines	Machinery and equipment	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>THE GROUP</b>							
COST/VALUATION							
At 1 January 2002	117,824	241,383	12,868	17,536	4,392	49,870	443,873
Acquired on acquisition of subsidiaries	2,483	–	76	206	176	11,308	14,249
Additions	112,056	119,060	24,809	21,320	5,773	197,846	480,864
Reclassification	10,807	116,656	4,121	700	13	(132,297)	–
Disposals	(120)	(931)	(114)	(210)	(26)	(26)	(1,427)
Net surplus on valuation	14,200	–	–	–	–	–	14,200
<b>At 31 December 2002</b>	<b>257,250</b>	<b>476,168</b>	<b>41,760</b>	<b>39,552</b>	<b>10,328</b>	<b>126,701</b>	<b>951,759</b>
Comprising:							
At cost	23,001	476,168	41,760	39,552	10,328	126,701	717,510
At valuation	234,249	–	–	–	–	–	234,249
	257,250	476,168	41,760	39,552	10,328	126,701	951,759
DEPRECIATION AND AMORTISATION							
At 1 January 2002	7,823	19,000	1,423	4,840	898	–	33,984
Acquired on acquisition of subsidiaries	47	–	25	92	86	–	250
Provided for the year	4,006	12,943	1,287	4,713	904	–	23,853
Eliminated on disposals	(64)	(70)	(19)	(64)	(14)	–	(231)
Eliminated on valuation	(11,352)	–	–	–	–	–	(11,352)
<b>At 31 December 2002</b>	<b>460</b>	<b>31,873</b>	<b>2,716</b>	<b>9,581</b>	<b>1,874</b>	<b>–</b>	<b>46,504</b>
NET BOOK VALUES							
<b>At 31 December 2002</b>	<b>256,790</b>	<b>444,295</b>	<b>39,044</b>	<b>29,971</b>	<b>8,454</b>	<b>126,701</b>	<b>905,255</b>
At 31 December 2001	110,001	222,383	11,445	12,696	3,494	49,870	409,889

## 12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The net book values of properties shown above comprises:

	<b>2002</b> <i>RMB'000</i>	2001 <i>RMB'000</i>
Land and buildings in Hong Kong under long leases	<b>22,541</b>	–
Land and buildings in PRC under medium term land use rights	<b>234,249</b>	110,001
	<b>256,790</b>	110,001

The Group revalued all of its land and buildings situated in the PRC as at 31 December 2002, resulting in a revaluation surplus of RMB25,665,000 (2001: RMB12,536,000) which has been credited to the revaluation reserve. The valuation was carried out by Chesterton Petty Limited, a firm of professionally qualified valuers, on open market value basis. At 31 December 2002, the carrying value of these revalued land and buildings amounted to RMB234,249,000 (2001: RMB105,130,000). If they had not been revalued, they would have been included in the financial statements at historical cost less accumulated depreciation and amortisation of RMB196,003,000 (2001: RMB92,984,000) .

The land and buildings situated in Hong Kong with an aggregate carrying value of RMB22,541,000 (2001: Nil) are stated at cost less accumulated depreciation and amortisation. The directors consider carrying value as at 31 December 2002 was not significantly different from its fair value at that date.

**13. GOODWILL**

	<b>THE GROUP</b>
	<i>RMB'000</i>
GROSS AMOUNT	
<b>At 1 January 2002</b>	<b>8,197</b>
Arising on:	
– acquisition of a subsidiary during the year ( <i>note 29</i> )	4,115
– acquisition of a business operation ( <i>note a</i> )	5,000
– acquisition of business ( <i>note b</i> )	5,812
<b>At 31 December 2002</b>	<b>23,124</b>
AMORTISATION	
<b>At 1 January 2002</b>	<b>410</b>
Charge for the year	906
<b>At 31 December 2002</b>	<b>1,316</b>
CARRYING VALUE	
<b>At 31 December 2002</b>	<b>21,808</b>
At 31 December 2001	7,787

Notes:

- (a) The amount arose from the acquisition of a business operation of investment in gas pipeline infrastructure and provision of piped gas in Quzhou City, the PRC, for a period of 30 years.
- (b) During the year, the Group entered into joint venture contracts with certain independent third parties in the PRC. Under the terms of contracts, the Group agreed to inject capital into the subsidiaries in cash and the PRC joint venture partners agreed to inject capital into the subsidiaries in the form of assets. Upon completion of the capital injection by both parties, the Group recognised an amount of RMB5,812,000, representing the excess of the Group's initial capital contribution in these subsidiaries over the Group's interest in the fair value of the net assets of these subsidiaries.

The amortisation period adopted for goodwill is 20 years.

## 14. NEGATIVE GOODWILL

	<b>THE GROUP</b>
	<i>RMB'000</i>
GROSS AMOUNT	
<b>At 1 January 2002 and at 31 December 2002</b>	<b>1,948</b>
RELEASED TO INCOME	
<b>At 1 January 2002</b>	<b>96</b>
Released in the year	96
<b>At 31 December 2002</b>	<b>192</b>
CARRYING AMOUNT	
<b>At 31 December 2002</b>	<b>1,756</b>
At 31 December 2001	1,852

The negative goodwill is released to income on a straight line basis of 20 years, being the weighted average useful lives of non-monetary assets acquired.

## 15. INTERESTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2002</b>	2001
	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted shares, at cost	<b>20,564</b>	20,564
Amounts due from subsidiaries	<b>717,162</b>	295,304
	<b>737,726</b>	315,868

The amounts due from subsidiaries are unsecured, interest free and are not repayable within the next year and accordingly, the amounts are shown as non-current.

Particulars of the principal subsidiaries are set out in note 39.

**16. INTEREST IN A JOINTLY CONTROLLED ENTITY**

	<b>THE GROUP</b>	
	<b>2002</b> <i>RMB'000</i>	2001 <i>RMB'000</i>
Share of net assets	<b>2,500</b>	–

Details of the Group's jointly controlled entity as at 31 December 2002 is as follows:

<b>Name of company</b>	<b>Form of business structure</b>	<b>Place of incorporation/ establishment</b>	<b>Proportion of nominal value of registered capital held by the Company</b>	<b>Principal activities</b>
Yancheng Xinao Compressed Natural Gas Company Limited	Incorporated	The PRC	50%	Production and distribution of compressed natural gas

**17. INVENTORIES**

	<b>THE GROUP</b>	
	<b>2002</b> <i>RMB'000</i>	2001 <i>RMB'000</i>
Construction materials	<b>34,382</b>	27,722
Gas appliances	<b>5,366</b>	2,056
Piped gas	<b>1,205</b>	440
Bottled liquefied petroleum gas	<b>3,577</b>	–
Spare parts and consumable	<b>2,493</b>	1,776
	<b>47,023</b>	31,994

All inventories were carried at cost at the balance sheet date.

## 18. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranges from 60 to 90 days to its trade customers.

	THE GROUP	
	2002 RMB'000	2001 RMB'000
The following is an aged analysis of trade receivable:		
0 – 3 months	55,553	35,707
4 – 6 months	7,004	18,412
7 – 9 months	5,377	2,354
10 – 12 months	1,357	1,520
More than 1 year	–	3,993
Trade receivable	69,291	61,986
Amount due from an officer	67	4,456
Prepayments, deposits and other receivables	29,034	11,680
	<b>98,392</b>	78,122

The amount due from an officer represents the amount advanced to Ms. Lam Hiu Ha, the Head of Hong Kong Office, which is unsecured, interest free and repayable on demand. The maximum amount outstanding during the year amounted to RMB6,047,000.

## 19. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2002 RMB'000	2001 RMB'000
Contract costs incurred plus recognised profits less anticipated losses	104,378	225,968
Less: Progress billings	(100,131)	(230,554)
	<b>4,247</b>	(4,586)
Analysed for reporting purposes as:		
Amounts due from customers for contract work	49,883	11,778
Amounts due to customers for contract work	(45,636)	(16,364)
	<b>4,247</b>	(4,586)

## 20. AMOUNTS DUE FROM RELATED COMPANIES

### THE GROUP

Particulars of the amounts due from related companies are as follows:

Name of company	Balance at 31.12.2002 RMB'000	Balance at 1.1.2002 RMB'000	Maximum amount outstanding during the year RMB'000
新奧集團石家莊化工機械股份有限公司 ("Xinao Group Shijiazhong Chemical and Machinery Company Limited")	5,590	800	13,940
新奧物業管理有限公司 ("Langfang Property Management Company Limited")	4,961	–	4,961
北京市昌平市政經濟發展總公司 ("Beijing City Changping Urban Economic Development Head Corporation")*	2,023	–	2,023
新奧集團股份有限公司 ("Xinao Group Company Limited")	1,325	–	1,446
萊陽市燃氣公司 ("Laiyang City Gas and Heating Corporation")*	860	–	860
廊坊新奧酒店管理有限公司 ("Langfang Xinao Hotel Management Company Limited")	544	–	544
諸城市燃氣熱力總公司 ("Zhucheng City Gas and Heating Corporation")*	320	501	646
安瑞科蚌埠壓縮機有限公司 ("Enric Bengbu Compressor Company Limited")	56	–	56
廊坊新奧置業有限公司 ("Langfang Xinao Property Company Limited")	45	–	45
北京市密雲化工公司 ("Beijing City Miyun Chemicals Company")*	–	1,445	1,445
廊坊新城房地產開發有限公司 ("Langfang Xincheng Property Development Company Limited")	–	369	369
	<b>15,724</b>	<b>3,115</b>	

\* Minority shareholders of subsidiaries

All the above related companies are controlled by Mr. Wang Yusuo ("Mr. Wang") except the minority shareholders of subsidiaries as indicated above.

The amounts are unsecured, interest free and subject to normal credit terms.



## 21. TRADE AND OTHER PAYABLES

	THE GROUP	
	2002 RMB'000	2001 RMB'000
The following is an aged analysis of trade payable:		
0 – 3 months	<b>90,007</b>	36,299
4 – 6 months	<b>13,078</b>	8,120
7 – 9 months	<b>8,943</b>	5,306
10 – 12 months	<b>3,670</b>	3,043
More than 1 year	<b>16,968</b>	9,155
Trade payable	<b>132,666</b>	61,923
Advances received from customers	<b>7,611</b>	3,673
Accrued charges and other payables	<b>41,298</b>	27,717
	<b>181,575</b>	93,313

## 22. AMOUNTS DUE TO RELATED COMPANIES

### THE GROUP

Particulars of the amounts due to related companies are as follows:

Name of company	2002 RMB'000	2001 RMB'000
上海岩鑫實業投資有限公司 (Shanghai Yanxin Enterprise Investment Company Limited)*	11,650	–
蚌埠市城市建設投資經營有限公司 (Bengbu City Construction Investment Company Limited)*	6,218	–
安吉丰陵液化氣公司 (Anji Fengling LPG Company)*	724	–
Xinao Group Shijiazhong Chemical and Machinery Company Limited	160	583
聊城市熱力公司 (Liaocheng City Gas and Heating Corporation)*	84	–
Enric Bengbu Compressor Company Limited	22	–
平谷縣液化石油氣公司 (Pinggu Country LPG Company)*	2	–
廊坊市天然氣有限公司 (Langfang City Natural Gas Company Limited)	–	10,000
Beijing City Changping Urban Economic Development Head Corporation*	–	3,077
	<b>18,860</b>	13,660

\* Minority shareholders of subsidiaries

All the above related companies are controlled by Mr. Wang except the minority shareholders of subsidiaries as indicated above.

The amounts are unsecured, interest free and subject to normal credit terms.

## 23. AMOUNTS DUE TO SUBSIDIARIES

### THE COMPANY

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

## 24. BANK AND OTHER LOANS

	THE GROUP		THE COMPANY	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Secured bank loans	49,344	48,737	–	–
Unsecured bank loans	374,666	74,411	248,040	–
	424,010	123,148	248,040	–
Unsecured loans from minority shareholders	43,418	–	–	–
	467,428	123,148	248,040	–
The bank and other loans are repayable:				
Within one year	202,016	74,933	–	–
Between one to two years	4,615	37,798	–	–
Between two to five years	252,765	10,417	248,040	–
More than five years	8,032	–	–	–
	467,428	123,148	248,040	–
Less: Amount due within one year shown under current liabilities	(202,016)	(74,933)	–	–
Amount due after one year	265,412	48,215	248,040	–

Apart from an interest free advances from a minority shareholder of RMB1,228,000 (2001: Nil) which is repayable between one to two years, the remaining balance of bank and other loans bear interest at prevailing market rates.

## 25. DEFERRED TAXATION

At the balance sheet date, the Group had deferred taxation amounting to RMB10,618,000 (2001: RMB3,730,000) arising on valuation of properties. The amount transferred from revaluation reserve during the year amounted to RMB6,888,000 (2001: RMB3,730,000).

There was no other significant unprovided deferred taxation during the year or at the balance sheet date.

**26. SHARE CAPITAL**

	2002	2001	2002	2001
	Number of shares		HK\$'000	HK\$'000
Shares of HK\$0.10 each				
Authorised:				
At beginning of the year	3,000,000,000	1,000,000	300,000	100
Increase on 28 March 2001 (note a)	–	2,999,000,000	–	299,900
At end of the year	<b>3,000,000,000</b>	3,000,000,000	<b>300,000</b>	300,000
Issued and fully paid:				
At beginning of the year	627,000,000	10	62,700	–
Share exchange upon reorganisation (note a)	–	193,999,990	–	19,400
Capitalisation issue (note b)	–	226,000,000	–	22,600
Issue of shares on placing (note c)	110,000,000	207,000,000	11,000	20,700
At end of the year	<b>737,000,000</b>	627,000,000	<b>73,700</b>	62,700
			<b>RMB'000</b>	RMB'000

Presented in financial statements as:

At beginning of the year	66,462	–
Share exchange upon reorganisation (note a)	–	20,564
Capitalisation issue (note b)	–	23,956
Issue of shares on placing (note c)	11,660	21,942
At end of the year	<b>78,122</b>	66,462

Notes:

- (a) On 28 March 2001, the Company increased its authorised share capital from HK\$100,000 to HK\$300,000,000, by the creation of an additional 2,999,000,000 shares and allotted and issued in aggregate 193,999,990 shares to Easywin credited as fully paid at HK\$19,399,999 in total for the acquisition by the Company of the entire issued share capital of Xinao Gas Investment Group Limited from Easywin.
- (b) On 9 May 2001, 226,000,000 shares were issued and credited as fully paid to Easywin by capitalising RMB81,374,000 (equivalent to approximately HK\$76,768,000) due from the Group to Easywin.
- (c) On 9 May 2001 and 22 May 2001, 180,000,000 and 27,000,000 shares of HK\$0.10 each were issued at HK\$1.15 per share through an initial public offering by way of placing and subsequent exercise of the over-allotment option under the initial public offering. On 25 March 2002, 110,000,000 shares of HK\$0.10 each were issued at HK\$3.05 per share by way of placing. These shares rank pari passu with the existing shares in all respects. The net proceeds from shares issued were used as general working capital and expansion of the Group.

## 27. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “2001 Scheme”) pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 24 April 2001. In connection with the listing of shares on the Main Board of the Stock Exchange, the Company has adopted a share option scheme (the “2002 Scheme”) and terminated the 2001 Scheme pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 21 May 2002. Upon termination of the 2001 Scheme, no further options may be offered but in all other respects the provisions of the 2001 Scheme shall remain in force. Any outstanding options under the 2001 Scheme shall continue to be subject to the provisions of the 2001 Scheme and the adoption of the 2002 Scheme shall remain in force for a period of 10 years commencing 21 May 2002 after which period no further options may be granted thereunder.

The purpose of the 2002 Scheme is to provide incentives for participants to perform their best in achieving the goals of the Group and allow them to enjoy the results of the Company attained through their efforts and contribution. Pursuant to the 2002 Scheme, the Directors may, at its absolute discretion, invite any employee or executive director of any member of the Group, or any employee, partner or director of any business consultant, joint venture partner, financial adviser and legal adviser of and to any member of the Group, to take up options at HK\$1 per option to subscribe for shares at an exercise price equal to at least the highest of (a) the closing price of the shares on the Stock Exchange on the date of grant; (b) the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the date of grant; and (c) the nominal value of a Share.

The maximum number of shares in respect of which options may be granted under both 2001 and 2002 Schemes may not exceed 30% of the issued share capital of the Company from time to time. Unless approved by shareholders of the Company, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue. Where any further grant of options to a participant would result in the shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such participant and his associates abstaining from voting.

On 31 January 2002, the Directors had granted options to subscribe for an aggregate of 18,000,000 shares under the 2001 Scheme, out of which 9,900,000 share options were granted to the Directors and 8,100,000 share options were granted to the employees of the Group. As at 31 December 2002, all of the outstanding options under the 2001 Scheme remained outstanding. Up to 31 December 2002, no option has been granted pursuant to the 2002 Scheme.

The options were granted at an exercise price of HK\$2.625 each. The closing price of the shares immediately before the date on which the options were granted was HK\$2.725. 50% of the options may be exercised between the period from 1 August 2002 and 31 January 2004 and thereafter, options may be exercised at any time up until 31 January 2012.

No share option was cancelled, lapsed or exercised by the directors and employees during the year.

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the 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 in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

**28. RESERVES**

	THE GROUP		THE COMPANY	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
SHARE PREMIUM				
At beginning of the year	<b>248,941</b>	–	<b>248,941</b>	–
Arising on capitalisation issue (note 26(b))	–	57,418	–	57,418
Arising on shares issued on placing	<b>343,970</b>	230,391	<b>343,970</b>	230,391
Shares issue expenses	<b>(13,083)</b>	(38,868)	<b>(13,083)</b>	(38,868)
At end of the year	<b>579,828</b>	248,941	<b>579,828</b>	248,941
SPECIAL RESERVE				
At beginning of the year	<b>1,167</b>	21,731	–	–
Share exchange upon reorganisation (note 26 (a))	–	(20,564)	–	–
At end of the year	<b>1,167</b>	1,167	–	–
GOODWILL RESERVE				
At beginning and at end of the year	<b>5,590</b>	5,590	–	–
ACCUMULATED PROFITS (LOSSES)				
At beginning of the year	<b>121,776</b>	42,509	<b>842</b>	–
Profit (loss) for the year	<b>127,916</b>	79,267	<b>(2,874)</b>	842
At end of the year	<b>249,692</b>	121,776	<b>(2,032)</b>	842
REVALUATION RESERVE				
At beginning of the year	<b>8,725</b>	–	–	–
Surplus arising on valuation of land and buildings	<b>25,665</b>	12,536	–	–
Tax effect on valuation surplus	<b>(6,888)</b>	(3,730)	–	–
Share of valuation surplus by minority shareholders	<b>(2,424)</b>	(81)	–	–
At end of the year	<b>25,078</b>	8,725	–	–
<b>TOTAL RESERVES</b>	<b>861,355</b>	386,199	<b>577,796</b>	249,783

## 28. RESERVES (CONT'D)

Under the Companies Law of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium, capital redemption reserve, unless immediately following the date on which distributions or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

At the balance sheet date, the Company's reserves available for distribution to shareholders amounted to RMB577,796,000 (2001: RMB249,783,000).

## 29. ACQUISITION OF SUBSIDIARIES

During the years ended 31 December 2002 and 2001, the Company acquired the following companies, particulars of which are as follows:

Name of subsidiary	Acquired company	Equity interest acquired	Consideration RMB'000	Date of acquisition
<b>Year ended 31 December 2002</b>				
Xinao Jiangsu Investment Limited	鹽城新奧燃氣有限公司 Yancheng Xinao Gas Company Limited	80%	8,000	3 April 2002
<b>Year ended 31 December 2001</b>				
Xinao Huangdao Investment Limited	青島新奧燃氣有限公司 Qingdao Xinao Gas Company Limited	90%	18,232	23 May 2001
Xinao Pinggu Investment Limited	北京新奧京谷燃氣有限公司 Beijing Xinao Jinggu Gas Company Limited	70%	6,996	18 June 2001
Xinao Changping Investment Limited	北京新奧京昌燃氣有限公司 Beijing Xinao Jingchang Gas Company Limited	80%	7,920	16 August 2001

## 29. ACQUISITION OF SUBSIDIARIES (CONT'D)

The acquisition has been accounted for by the acquisition method of accounting and particulars of the acquisition are:

	2002 RMB'000	2001 RMB'000
<b>Net assets acquired</b>		
Property, plant and equipment	13,999	41,137
Inventories	3,107	6,422
Trade and other receivables	1,660	23,327
Bank balances and cash	1,468	1,728
Trade and other payables	(15,233)	(32,856)
Bank loans	–	(3,058)
Minority interests	(1,116)	(6,387)
	3,885	30,313
Goodwill	4,115	2,835
Total consideration	8,000	33,148
<b>Satisfied by</b>		
Cash consideration	8,000	33,148
<b>Outflow of cash and cash equivalents arising on acquisition</b>		
Cash consideration	8,000	33,148
Bank balances and cash acquired	(1,468)	(1,728)
Net outflow of cash and cash equivalents in respect of purchase of subsidiaries	6,532	31,420

The financial impacts of the subsidiaries acquired during the year are:

	2002 RMB'000	2001 RMB'000
<b>Results</b>		
Contribution to the Group's turnover	9,256	36,888
Contribution to the Group's profit for the year	3,702	16,265
<b>Cash flows</b>		
Contribution to the Group's net operating cash flows	5,997	38,587
Payment in respect of taxation	–	(59)
Utilisation of funds for investing activities	(5,427)	(34,926)
Fund utilised in respect of financing activities	–	(17)



### 30. MAJOR NON-CASH TRANSACTIONS

During the year, the Group acquired certain subsidiaries in the PRC. Apart from the cash contributions, the minority shareholders of these subsidiaries also contributed the capital in the form of assets.

The net assets contributed by the minority shareholders to these subsidiaries during the year are summarised as follows:

	<i>RMB'000</i>
Property plant and equipment	60,503
Trade and other receivables	2,441
Inventories	4,995
Trade and other payables	(20,890)
	<b>47,049</b>

### 31. CAPITAL COMMITMENTS

	<b>THE GROUP</b>	
	<b>2002</b> <i>RMB'000</i>	2001 <i>RMB'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statements	<b>9,340</b>	2,375

### 32. LEASE COMMITMENTS

#### The Group as lessee

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

	<b>2002</b> <i>RMB'000</i>	2001 <i>RMB'000</i>
Within one year	<b>1,806</b>	997
In the second to fifth years inclusive	<b>3,244</b>	1,915
Over five years	-	188
	<b>5,050</b>	3,100

Leases are negotiated for an average term of 2 years and rentals are fixed for an average of 2 years.

**32. LEASE COMMITMENTS (CONT'D)****The Group as lessor**

Certain of the Group's properties with a carrying amount of RMB20,605,000 (2001: RMB21,115,000) are held for rental purposes. The depreciation charge of these properties amounted to RMB1,152,000 (2001: RMB1,559,000) for the year. The properties are expected to generate rental yields of 8.5% on an ongoing basis. All of the properties held have committed tenants for the next two years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	<b>2002</b> <i>RMB'000</i>	2001 <i>RMB'000</i>
Within one year	<b>1,805</b>	1,805
In the second to fifth years inclusive	<b>1,805</b>	1,805
	<b>3,610</b>	3,610

The Company had no operating lease commitments at the balance sheet date for both years.

**33. PLEDGE OF ASSETS**

At the balance sheet date, the Group pledged certain assets as securities for general credit facilities granted as follows:

	<b>2002</b> <i>RMB'000</i>	2001 <i>RMB'000</i>
Property, plant and equipment	<b>73,601</b>	48,737

### 34. RELATED PARTY TRANSACTIONS

Name of related party	Nature of transaction	2002 RMB'000	2001 RMB'000
Langfang Xincheng Property Development Company Limited	Provision of gas connection services by the Group (Note i)	72	7,785
Langfang Xinao Hotel Management Company Limited	Sales of gas by the Group (Note ii)	526	885
Langfang Xinao Property Management Company Limited	Provision of gas connection services by the Group (Note i)	–	330
	Sales of gas by the Group (Note ii)	6,626	6,690
	Provision for management services to the Group (Note iii)	1,299	1,056
	Lease of premises by the Group (Note iv)	330	330
Xinao Group Solar Energy Company Limited	Sales of gas by the Group (Note ii)	–	46
Xinao Group Company Limited	Sales of gas by the Group (Note ii)	227	362
	Lease of premises by the Group (Note iv)	1,475	1,475
	Reimbursement of management fee (Note iv)	264	264
	Lease of premises to the Group (Note iv)	–	136
Xinao Group Shijiazhong Chemical and Machinery Company Limited	Acquisition of compressed natural gas truck trailers, pressure regulating and gas equipment (Note v)	25,980	7,755
Zhucheng City Gas and Heating Corporation	Acquisition of land and buildings by the Group (Note vi)	1,560	–
淮安市燃氣總公司	Loan advance (Note vii)	28,254	–
	Interest on loan advance	248	–
新鄉市燃氣總公司	Loan advance (Note vii)	13,936	–
	Interest on loan advance	165	–
滁州市城市基礎設施開發建設有限公司	Loan advance (Note viii)	1,228	–

### 34. RELATED PARTY TRANSACTIONS (CONT'D)

Notes:

- (i) The provision of gas connection services was charged in accordance with rates agreed between the Group and the related parties by reference to the Group's similar transactions with outside customers.
- (ii) The sales of gas were charged in accordance with rates agreed between the Group and the related parties by reference to the Group's similar transactions with outside customers. Xinao Group Solar Energy Company Limited is a company controlled by Mr. Wang.
- (iii) The provision of management services was determined in accordance to the contract entered into between the Group and the related company.
- (iv) Rental for lease of premises and reimbursement of management fee were determined in accordance to the contracts entered into between the Group and the related companies.
- (v) The consideration for acquisition of compressed natural gas truck trailers, pressure regulating and gas equipment was charged in accordance with prices by reference to the similar transactions with outsiders.
- (vi) The consideration for acquisition of land and buildings was charged in accordance with prices by reference to the similar transactions with outsiders.
- (vii) The loans from minority shareholders are unsecured, carried interest at prevailing market rate and repayable on demand.
- (viii) The loan from minority shareholder is unsecured, interest free and repayable on demand.

In the opinion of the directors of the Company, all of the above-mentioned transactions were entered into in the ordinary course of business of the Group.

### 35. SEGMENT INFORMATION

#### (a) Business segments

For management purposes, the Group is currently divided into four divisions, gas connection, distributions of bottled liquefied petroleum gas, sales of piped gas and sales of gas appliances. These divisions are the basis on which the Group reports its primary segment information.

An analysis of the Group's turnover and contribution by business segment during the year is as follows:

	<b>2002</b> <i>RMB'000</i>	2001 <i>RMB'000</i>
Turnover		
Gas connection fees	<b>330,915</b>	184,796
Distributions of bottled liquefied petroleum gas	<b>130,445</b>	–
Sales of piped gas	<b>73,588</b>	50,594
Sales of gas appliances	<b>9,544</b>	5,170
	<b>544,492</b>	240,560
Profit from operations		
Gas connection fees	<b>243,752</b>	128,076
Distributions of bottled liquefied petroleum gas	<b>(1,874)</b>	–
Sales of piped gas	<b>26,578</b>	22,199
Sales of gas appliances	<b>1,476</b>	460
Unallocated other revenue	<b>16,969</b>	13,334
Unallocated expenses:		
– depreciation and amortisation (Note)	<b>(14,823)</b>	(7,604)
– corporate expenses	<b>(93,817)</b>	(46,549)
	<b>178,261</b>	109,916

Note: The amount represents principally depreciation and amortisation of property, plant and equipment relating to the gas connection, bottled liquefied petroleum gas and piped gas operation.

**35. SEGMENT INFORMATION (CONT'D)****(a) Business segments (Cont'd)**

An analysis of the Group's total assets and liabilities by business segment is as follows:

	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Assets:		
Segment assets		
gas connection fees	<b>130,484</b>	71,452
distributions of bottled liquefied petroleum gas	<b>50,248</b>	–
sales of piped gas	<b>74,397</b>	57,428
sales of gas appliances	<b>11,030</b>	11,177
unallocated segment assets	<b>615,988</b>	320,492
Unallocated corporate assets	<b>888,218</b>	262,756
	<b>1,770,365</b>	723,305
Liabilities:		
Segment liabilities		
gas connection fees	<b>101,224</b>	50,600
distributions of bottled liquefied petroleum gas	<b>9,052</b>	–
sales of piped gas	<b>16,852</b>	19,831
sales of gas appliances	<b>14,672</b>	2,740
unallocated segment liabilities	<b>51,753</b>	26,369
Unallocated corporate liabilities	<b>539,318</b>	153,600
	<b>732,871</b>	253,140

**(b) Geographical segment**

More than 90 per cent. of the Group's assets are located in the PRC, including Hong Kong, as at the balance sheet date.

All of the Group's businesses are derived from activities in the PRC, including Hong Kong, in both years.

### 36. CONTINGENT LIABILITIES

During the year, the Group had given guarantee to a bank in respect of banking facilities granted to a third party to the extent of RMB39,500,000 (2001: Nil). An amount of RMB37,500,000 was released subsequent to the balance sheet date.

### 37. RETIREMENT BENEFITS SCHEME

According to the relevant laws and regulations in the PRC, the PRC subsidiaries are required to contribute a certain percentage of the payroll of their employees to the retirement benefits scheme to fund the retirement benefits of their employees. With effect from 1 December 2001, a subsidiary of the Company is required to join a Mandatory Provident Fund Scheme for all its employees in Hong Kong. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the respective schemes. During the year, there were no forfeited contributions, which arose upon employees leaving the retirement benefits schemes, available to reduce the contribution payable in the future periods.

	<b>2002</b>	2001
	<b>RMB'000</b>	RMB'000
Retirement benefit contribution made during the year	<b>4,486</b>	1,167

### 38. POST BALANCE SHEET EVENTS

- (a) On 8 March 2003, Xinao Zhejiang Investment Limited, a wholly owned subsidiary of the Company, entered into an agreement with 蘭溪東升能源有限公司 to establish a sino-foreign equity joint venture, Lanxi Xinao Gas Company Limited, for the investment in gas pipeline infrastructure and provision of piped gas. The capital contributed by the Group amounted to US\$1,200,000.
- (b) On 19 March 2003, Xinao Jiangsu Investment Limited, a wholly owned subsidiary of the Company, entered into an agreement with 常州市武進燃氣總公司 to establish a sino-foreign equity joint venture, Changzhou Xinao Gas Company Limited, for the investment in gas pipeline infrastructure and provision of piped gas. The capital contributed by the Group amounted to US\$3,000,000.

**39. PARTICULAR OF PRINCIPAL SUBSIDIARIES**

<b>Name of company</b>	<b>Place of incorporation/ establishment</b>	<b>Issued and fully paid share capital/ registered capital</b>	<b>Proportion of nominal value of issued capital/ registered capital held by the Company</b>	<b>Principal activities</b>
安吉新奥燃气有限公司* ("Anji Xinao Gas Company Limited")	The PRC	Registered capital US\$1,500,000	90%	Investment in gas pipeline infrastructure and provision of piped gas
北京新奥燃气有限公司* ("Beijing Xinao Gas Company Limited")	The PRC	Registered capital US\$1,195,600	95%	Investment in gas pipeline infrastructure and provision of piped gas
北京新奥京昌燃气有限公司* ("Beijing Xinao Jingchang Gas Company Limited")	The PRC	Registered capital RMB9,900,000	80%	Investment in gas pipeline infrastructure and provision of piped gas
北京新奥京谷燃气有限公司* ("Beijing Xinao Jinggu Gas Company Limited")	The PRC	Registered capital RMB9,900,000	70%	Investment in gas pipeline infrastructure and provision of piped gas
蚌埠新奥燃气有限公司* ("Bengbu Xinao Gas Company Limited")	The PRC	Registered capital RMB110,000,000	70%	Investment in gas pipeline infrastructure and provision of piped gas and bottled liquefied petroleum gas
亳州新奥燃气有限公司* ("Bozhou Xinao Gas Company Limited")	The PRC	Registered capital US\$4,000,000	70%	Investment in gas pipeline infrastructure and provision of piped gas
滁州新奥燃气有限公司* ("Chuzhou Xinao Gas Company Limited")	The PRC	Registered capital RMB58,710,000	90%	Investment in gas pipeline infrastructure and provision of piped gas and bottled liquefied petroleum gas



### 39. PARTICULAR OF PRINCIPAL SUBSIDIARIES (CONT'D)

Name of company	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
海安新奧燃氣有限公司# ("Haian Xiniao Gas Company Limited")	The PRC	Registered capital US\$1,200,000	100%	Investment in gas pipeline infrastructure and provision of piped gas
海寧新奧燃氣有限公司* ("Haining Xiniao Gas Company Limited")	The PRC	Registered capital US\$5,000,000	80%	Investment in gas pipeline infrastructure and provision of piped gas
淮安新奧燃氣有限公司* ("Huaian Xiniao Gas Company Limited")	The PRC	Registered capital RMB30,000,000	80%	Investment in gas pipeline infrastructure and provision of piped gas and bottled liquefied petroleum gas
葫蘆島新奧燃氣有限公司* ("Huludao Xiniao Gas Company Limited")	The PRC	Registered capital US\$1,207,700	90%	Investment in gas pipeline infrastructure and provision of piped gas
萊陽新奧燃氣有限公司* ("Laiyang Xiniao Gas Company Limited")	The PRC	Registered capital US\$5,000,000	95%	Investment in gas pipeline infrastructure and provision of piped gas and bottled liquefied petroleum gas
廊坊新奧燃氣有限公司# ("Langfang Xiniao Gas Company Limited")	The PRC	Registered capital US\$9,333,900	100%	Investment in gas pipeline infrastructure and provision of piped gas
廊坊新奧燃氣設備有限公司# ("Langfang Xiniao Gas Equipment Company Limited")	The PRC	Registered capital US\$360,000	100%	Manufacture of stored value card gas metre

**39. PARTICULAR OF PRINCIPAL SUBSIDIARIES (CONT'D)**

<b>Name of company</b>	<b>Place of incorporation/ establishment</b>	<b>Issued and fully paid share capital/ registered capital</b>	<b>Proportion of nominal value of issued capital/ registered capital held by the Company</b>	<b>Principal activities</b>
聊城新奥燃气有限公司* ("Liaocheng Xinao Gas Company Limited")	The PRC	Registered capital RMB16,000,000	90%	Investment in gas pipeline infrastructure and provision of piped gas
六安新奥燃气有限公司# ("Luan Xinao Gas Company Limited")	The PRC	Registered capital RMB20,000,000	100%	Investment in gas pipeline infrastructure and provision of piped gas
青岛新奥燃气有限公司* ("Qingdao Xinao Gas Company Limited")	The PRC	Registered capital RMB20,000,000	90%	Investment in gas pipeline infrastructure and provision of piped gas and bottled liquefied petroleum gas
青岛新奥新城燃气有限公司* ("Qingdao Xinao Xincheng Gas Company Limited")	The PRC	Registered capital US\$1,610,000	90%	Investment in gas pipeline infrastructure and provision of piped gas
衢州新奥燃气有限公司* ("Quxhou Xinao Gas Company Limited")	The PRC	Registered capital RMB50,000,000	90%	Investment in gas pipeline infrastructure and provision of piped gas
日照新奥燃气有限公司* ("Rizhao Xinao Gas Company Limited")	The PRC	Registered capital US\$5,600,000	80%	Investment in gas pipeline infrastructure and provision of piped gas
石家庄新奥燃气有限公司* ("Shijiazong Xinao Gas Company Limited")	The PRC	Registered capital RMB130,000,000	70%	Investment in gas pipeline infrastructure and provision of piped gas

### 39. PARTICULAR OF PRINCIPAL SUBSIDIARIES (CONT'D)

Name of company	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
泰興新奧燃氣有限公司* ("Taixing Xinao Gas Company Limited")	The PRC	Registered capital US\$1,200,000	90%	Investment in gas pipeline infrastructure and provision of piped gas
新奧(中國)燃氣發展有限公司* ("Xinao (China) Gas Development Company Limited")	The PRC	Registered capital US\$6,000,000	100%	Sourcing of compressed pipeline gas and investment in gas pipeline infrastructure and provision of piped gas
Xinao Gas Investment Group Limited	British Virgin Islands	Share capital US\$1,000	100%	Investment holding
興化新奧燃氣有限公司# ("Xinghua Xinao Gas Company Limited")	The PRC	Registered capital US\$1,200,000	100%	Investment in gas pipeline infrastructure and provision of piped gas
新鄉新奧燃氣有限公司* ("Xinxiang Xinao Gas Company Limited")	The PRC	Registered capital US\$10,000,000	95%	Investment in gas pipeline infrastructure and provision of piped gas and bottled liquefied petroleum gas
鹽城新奧燃氣有限公司* ("Yancheng Xinao Gas Company Limited")	The PRC	Registered capital RMB50,000,000	80%	Investment in gas pipeline infrastructure and provision of piped gas
揚州新奧燃氣有限公司# ("Yangzhou Xinao Gas Company Limited")	The PRC	Registered capital US\$1,300,000	100%	Investment in gas pipeline infrastructure and provision of piped gas

**39. PARTICULAR OF PRINCIPAL SUBSIDIARIES (CONT'D)**

<b>Name of company</b>	<b>Place of incorporation/ establishment</b>	<b>Issued and fully paid share capital/ registered capital</b>	<b>Proportion of nominal value of issued capital/ registered capital held by the Company</b>	<b>Principal activities</b>
煙台新奧燃氣有限公司# ("Yantai Xinao Gas Company Limited")	The PRC	Registered capital US\$2,100,000	100%	Investment in gas pipeline infrastructure and provision of piped gas
諸城新奧燃氣有限公司* ("Zhucheng Xinao Gas Company Limited")	The PRC	Registered capital US\$3,000,000	80%	Investment in gas pipeline infrastructure and provision of piped gas and bottled liquefied petroleum gas
鄒平新奧燃氣有限公司# ("Zouping Xinao Gas Company Limited")	The PRC	Registered capital US\$1,200,000	100%	Investment in gas pipeline infrastructure and provision of piped gas and bottled liquefied petroleum gas

All of the above subsidiaries, except for Xinao Gas Investment Group Limited, are indirectly held by the Company.

All subsidiaries operate principally in their respective place of incorporation/establishment.

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

None of the subsidiaries had any loan capital subsisting as at 31 December 2002 or at any time during the year.

\* Sino-foreign equity joint venture

# Foreign owned enterprise