

## Notes to the Financial Statements

For the year ended 31 December 2004

### 1. GENERAL

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

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

### 2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

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

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

### 3. PRIOR PERIOD ADJUSTMENTS

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

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

## Notes to the Financial Statements

For the year ended 31 December 2004

### 4. SIGNIFICANT ACCOUNTING POLICIES

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

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

#### Basis of consolidation

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

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

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

#### Goodwill

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

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

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

#### Negative goodwill

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

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

#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### Negative goodwill *(Continued)*

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

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

##### Investments in subsidiaries

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

##### Interests in associates

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

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

##### Recognition of revenue

###### *Development properties*

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

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

## Notes to the Financial Statements

For the year ended 31 December 2004

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of revenue (Continued)

*Development properties (Continued)*

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

*Sales of electricity supply*

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

*Gas pipelines construction revenue*

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

*Sales of goods*

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

*Income from property management services*

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

*Rental income*

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

*Interest income*

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

*Dividend income*

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

#### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Property, plant and equipment

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

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

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

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

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

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

##### Construction in progress

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

## Notes to the Financial Statements

For the year ended 31 December 2004

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Exclusive operating right for city pipeline network

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

#### Investments in securities

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

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

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

#### Impairment

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

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

#### Stock of properties

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

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

#### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Stock of properties (Continued)

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

##### Inventories

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

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

##### Construction contracts

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

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

##### Interest rate swaps

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

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

##### Commodity derivatives

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

## Notes to the Financial Statements

For the year ended 31 December 2004

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Commodity derivatives (Continued)

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

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

#### Convertible bonds

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

#### Guaranteed senior notes

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

#### Borrowing costs

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

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

#### Taxation

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

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



#### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Taxation (Continued)

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

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

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

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

##### Operating leases

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

##### Foreign currencies

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

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

## Notes to the Financial Statements

For the year ended 31 December 2004

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Retirement benefits costs

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

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### (A) Business segments

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

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(A) Business segments (Continued)

Segment information about these businesses is presented below.

**For the year ended 31 December 2004**

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

Inter-segment sales are charged at prevailing market prices.

## Notes to the Financial Statements

For the year ended 31 December 2004

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### (A) Business segments (Continued)

At 31 December 2004

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

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

(A) Business segments (Continued)

For the year ended 31 December 2003

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

Inter-segment sales are charged at prevailing market prices.

## Notes to the Financial Statements

For the year ended 31 December 2004

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

#### (A) Business segments (Continued)

At 31 December 2003

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

#### (B) Geographical segments

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

6. OTHER OPERATING INCOME

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

7. PROFIT FROM OPERATIONS

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

## Notes to the Financial Statements

For the year ended 31 December 2004

### 8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

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

The emoluments of the directors were within the following bands:

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



8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Employees' emoluments:

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

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

9. FINANCE COSTS

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

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

## Notes to the Financial Statements

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### 10. GAIN ON DISPOSAL OF SUBSIDIARIES

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

### 11. TAXATION

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

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

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

11. TAXATION (Continued)

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

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

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

## Notes to the Financial Statements

For the year ended 31 December 2004

### 12. DIVIDENDS

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

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

### 13. EARNINGS PER SHARE

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

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

13. EARNINGS PER SHARE (Continued)

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

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

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

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

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

## Notes to the Financial Statements

For the year ended 31 December 2004

### 14. PROPERTY, PLANT AND EQUIPMENT

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

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

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

## Notes to the Financial Statements

For the year ended 31 December 2004

### 15. INTANGIBLE ASSET

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

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



16. GOODWILL

	<b>THE GROUP</b>
	<i>HK\$'000</i>
<b>COST</b>	
At 1 January 2004	
– as previously reported	87,627
– prior period adjustments ( <i>note 3</i> )	<u>(63,108)</u>
– as restated	24,519
Arising on acquisition of subsidiaries	160,656
Eliminated on partial disposal of interest in a subsidiary	<u>(634)</u>
At 31 December 2004	<u>184,541</u>
<b>AMORTISATION</b>	
At 1 January 2004	3,076
Provided for the year	1,475
Eliminated on partial disposal of interest in a subsidiary	<u>(130)</u>
At 31 December 2004	<u>4,421</u>
<b>NET BOOK VALUES</b>	
At 31 December 2004	<u><u>180,120</u></u>
At 31 December 2003	<u><u>21,443</u></u>

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

## Notes to the Financial Statements

For the year ended 31 December 2004

### 17. NEGATIVE GOODWILL

#### THE GROUP

HK\$'000

#### GROSS AMOUNT

At 1 January 2004	18,569
Arising on acquisition of subsidiaries	22,646
Arising on acquisition of additional interest in a subsidiary	321
	<u>41,536</u>
At 31 December 2004	<u>41,536</u>

#### RELEASED TO INCOME

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

#### CARRYING AMOUNT

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

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

### 18. INTERESTS IN SUBSIDIARIES

#### THE COMPANY

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

18. INTERESTS IN SUBSIDIARIES (Continued)

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

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

19. INTERESTS IN ASSOCIATES

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

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

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

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

## Notes to the Financial Statements

For the year ended 31 December 2004

### 19. INTERESTS IN ASSOCIATES (Continued)

Note:

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

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

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

20. INVESTMENTS IN SECURITIES

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

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

## Notes to the Financial Statements

For the year ended 31 December 2004

### 21. STOCK OF PROPERTIES

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

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

### 22. INVENTORIES

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

All inventories were stated at cost.

### 23. TRADE AND OTHER RECEIVABLES

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

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

### 24. AMOUNTS DUE FROM/TO MINORITY SHAREHOLDERS

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

### 25. TRADE AND OTHER PAYABLES

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

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

## Notes to the Financial Statements

For the year ended 31 December 2004

### 26. AMOUNTS DUE TO SUBSIDIARIES

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

### 27. BORROWINGS

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



27. BORROWINGS (Continued)

Notes:

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

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

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

## Notes to the Financial Statements

For the year ended 31 December 2004

### 28. DIRECT ISSUANCE COSTS OF GUARANTEED SENIOR NOTES

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

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

### 29. SHARE CAPITAL

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

29. SHARE CAPITAL (Continued)

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

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2004

## 30. RESERVES

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

30. RESERVES (Continued)

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

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

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

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

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

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

## Notes to the Financial Statements

For the year ended 31 December 2004

### 30. RESERVES (Continued)

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

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

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

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

### 31. ACQUISITION OF SUBSIDIARIES

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

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

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

## Notes to the Financial Statements

For the year ended 31 December 2004

### 32. DISPOSAL OF SUBSIDIARIES

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



### 33. MAJOR NON-CASH TRANSACTIONS

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

### 34. RELATED PARTY TRANSACTIONS

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

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

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

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

## Notes to the Financial Statements

For the year ended 31 December 2004

### 35. SHARE OPTION SCHEMES

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

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

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

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

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

35. SHARE OPTION SCHEMES (Continued)

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

	2004	2003
Exercise period	<b>01.06.2004 to 31.05.2008</b>	–
Exercise price*	<b>HK\$0.76</b>	–
Aggregate proceeds if shares are issued	<b>HK\$19,304,000</b>	–

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

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

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

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

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

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

Nominal consideration for options granted during the year was received.

## Notes to the Financial Statements

For the year ended 31 December 2004

### 35. SHARE OPTION SCHEMES (Continued)

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

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

### 36. RETIREMENT BENEFITS SCHEMES

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

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

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

### 37. CONTINGENT LIABILITIES

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

37. CONTINGENT LIABILITIES (Continued)

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

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

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

38. COMMITMENTS

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

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

## Notes to the Financial Statements

For the year ended 31 December 2004

### 39. OPERATING LEASE COMMITMENTS

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

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

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

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

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

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

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

#### 40. PLEDGE OF ASSETS

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

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

#### 41. POST BALANCE SHEET EVENTS

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

## Notes to the Financial Statements

For the year ended 31 December 2004

### 42. PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
<b>Property development and management division</b>					
Executive Choice Investments Limited	BVI	US\$1	100%	–	Investment holding
Firstline Investment Limited	BVI	US\$1	–	100%	Investment holding
Future Perfect Properties Limited	BVI	US\$1	–	100%	Property holding
Kenson Investment Limited	BVI	US\$1	100%	–	Investment holding
Knatwood Limited	BVI	US\$1	–	100%	Investment holding
Leader Faith International Limited	BVI	US\$1	100%	–	Investment holding
Link Capital Investments Limited	BVI	US\$50,000	–	100%	Investment holding
Ocean Diamond Limited	BVI	US\$50,000	–	100%	Investment holding
Shenzhen Mangrove West Coast Property Development Co. Ltd. 深圳紅樹西岸地產發展 有限公司	PRC – Sino-foreign equity joint venture	RMB10,000,000	–	87%	Property development



42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
<b>Property development and management division (Continued)</b>					
Shengzhen Sinolink Property Management Co., Ltd. 深圳百仕達物業管理 有限公司	PRC – Foreign equity joint venture	RMB2,000,000	–	87%	Property management
Sinolink International Investment (Group) Limited	BVI	US\$1	–	100%	Investment holding
Sinolink LPG Development Limited	BVI	US\$1	–	100%	Investment holding
Sinolink Petrochemical Investment Limited	BVI	US\$1	–	100%	Investment holding
Sinolink Progressive Limited	BVI	US\$47,207	–	100%	Investment holding
Sinolink Properties Agent Limited 百仕達物業代理有限公司	Hong Kong	HK\$10,000	–	100%	Property agent

## Notes to the Financial Statements

For the year ended 31 December 2004

### 42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
<b>Property development and management division (Continued)</b>					
Sinolink Properties Limited 百仕達地產有限公司 (formerly known as Shenzhen Sinolink Enterprises Co., Ltd. 深圳百仕達實業 有限公司)	PRC – Foreign equity joint venture	RMB375,000,000	–	80%	Property development
Sinolink Worldwide (HK) Company Limited 香港百仕達有限公司	Hong Kong	HK\$10,000,000	–	100%	Investment holding
Smart Orient Investments Limited	BVI	US\$1	100%	–	Investment holding
Supreme All Investments Limited	BVI	US\$1	100%	–	Investment holding
<b>Gas fuel business division</b>					
Cangxi Panva Gas Co., Ltd. 蒼溪百江燃氣有限公司	PRC – Limited liability company	RMB8,000,000	–	58.45%	Provision of natural gas and related services and gas pipeline construction

42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
<b>Gas fuel business division (Continued)</b>					
Changde Pan River Enterprises Co., Ltd. 常德百江能源實業 有限公司	PRC – Sino-foreign equity joint venture	RMB6,000,000	–	49.68%	Wholesaling and retailing of LP Gas
Changsha Pan River Enterprises Co., Ltd. 長沙百江能源實業 有限公司	PRC – Sino-foreign equity joint venture	RMB40,000,000	–	35.07%	Wholesaling and retailing of LP Gas
Chenzhou Pan River Gas Industry Co., Ltd. 郴州百江燃氣實業 有限公司	PRC – Sino-foreign equity joint venture	RMB9,000,000	–	35.07%	Wholesaling and retailing of LP Gas
China Overlink Holdings Co., Limited	BVI	US\$1	–	58.45%	Investment holding
China Pan River Group Ltd. 中國百江集團有限公司	BVI	US\$12,821	–	58.45%	Investment holding
Dayi Panva Gas Co., Ltd. 大邑百江燃氣有限公司	PRC – Limited liability company	RMB3,300,000	–	58.45%	Provision of natural and related services and gas pipeline construction
Jinan Panva Gas Co., Ltd. 濟南百江燃氣有限公司	PRC – Sino-foreign equity joint	RMB100,000,000	–	29.80%	Provision of LG Gas, natural gas and related services and gas pipeline construction

## Notes to the Financial Statements

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### 42. PRINCIPAL SUBSIDIARIES (Continued)

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

42. PRINCIPAL SUBSIDIARIES (Continued)

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

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For the year ended 31 December 2004

### 42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
<b>Gas fuel business division (Continued)</b>					
Pengxi Panva Gas Co., Ltd. 蓬溪百江燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB3,590,000	–	52.60%	Provision of natural gas and related services and gas pipeline construction
Pingchang Panva Gas Co., Ltd. 平昌百江燃氣有限公司	PRC – Limited liability company	RMB8,000,000	–	52.60%	Provision of natural gas and related services and gas pipeline construction
Singkong Investments Limited 盛港投資有限公司	Hong Kong	HK\$10,000	–	58.45%	Investment holding
Sinolink LPG Investment Limited	BVI	US\$1	–	58.45%	Investment holding
Sinolink Power Investment Limited	BVI	US\$1	–	58.45%	Investment holding
Weiyuan Panva Gas Co., Ltd. 威遠百江燃氣有限公司	PRC – Limited liability company	RMB5,000,000	–	58.15%	Provision of natural gas and related services and gas pipeline construction
Xiang Tan Pan River Energy Industry Co., Ltd. 湘潭百江能源實業 有限公司	PRC – Sino-foreign equity joint venture	RMB10,000,000	–	35.07%	Wholesaling and retailing of LP Gas

42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
<b>Gas fuel business division (Continued)</b>					
Yangzhou YPC & Panva Gas Co., Ltd. 揚州揚子石化百江燃氣 有限公司	PRC – Limited liability company	RMB10,000,000	–	16.07%	Wholesaling and retailing of LP Gas
Yi Yang Pan River Enterprises Co., Ltd. 益陽百江能源實業 有限公司	PRC – Sino-foreign equity joint venture	RMB5,000,000	–	35.07%	Wholesaling and retailing of LP Gas
YPC & Panva Energy Company Limited ("Yangzi Panva") 揚子石化百江能源 有限公司	PRC – Sino-foreign equity joint venture	US\$7,230,000	–	29.22%	Wholesaling and retailing of LP Gas
Yuechi Panva Gas Co., Ltd. 岳池百江燃氣有限公司	PRC – Limited liability company	RMB8,000,000	–	52.60%	Provision of natural gas and related services and gas pipeline construction
Zhongjiang Panva Gas Co., Ltd. 中江百江燃氣有限公司	PRC – Limited liability company	RMB18,816,000	–	58.45%	Provision of natural gas and related services and gas pipeline construction
Ziyang Panva Gas Co., Ltd. 資陽百江燃氣有限公司	PRC – Limited liability company	RMB9,890,000	–	52.60%	Provision of natural gas and related services and gas pipeline construction

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For the year ended 31 December 2004

### 42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
<b>Electricity supplies division</b>					
Enerchina Holdings Limited 威華達控股有限公司	Bermuda	HK\$22,909,339	24.96%	25.14%	Investment holding
Enerchina Oil and Petrochemical Company Limited	BVI	HK\$2	–	50.10%	Procurement of fuel oil
Enerchina Resources Limited	Hong Kong	HK\$2	–	50.10%	Provision of management services
Hanka Limited	Hong Kong	HK\$2	–	50.10%	Holding of club membership
New China Control Systems Limited	BVI	US\$1	–	50.10%	Investment holding
Rado International Limited	BVI	US\$1	–	50.10%	Investment holding
Roxy Link Limited	BVI	HK\$2	–	50.10%	Investment holding
Shenzhen Fuhuade Electric Power Co., Ltd. 深圳福華德電力有限公司	PRC – Sino-foreign equity joint venture	RMB224,500,000	–	35.07%	Electricity supplies



42. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
<b>Electricity supplies division</b> (Continued)					
Sinolink Electric Power Company Limited 百仕達電力有限公司	Hong Kong	HK\$2*	–	50.10%	Investment holding
Sinolink Industrial Limited	BVI	US\$50,001	–	50.10%	Investment holding

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

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

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

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