1. GENERAL

The Company is a public limited company incorporated in Bermuda as an exempted company with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Asia Pacific Promotion Limited, a private limited company incorporated in the British Virgin Islands (the "BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The financial statements are presented in Hong Kong dollars, which is the functional currency of the Company.

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

Business combinations

In the current year, the Group has early applied HKFRS 3 "Business Combinations" with retrospective application for business combinations for which the agreement date is on or after 1 January 2002. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Goodwill

In previous years, goodwill arising on acquisitions prior to 1 January 2001 was held in reserves, and goodwill arising on acquisition after 1 January 2001 was capitalised and amortised over its estimated useful life. The Group has applied the relevant transitional provisions in HKFRS 3. Goodwill previously recognised in reserves of HK$2,632,000 has been transferred to the Group's retained earnings on 1 January 2002. With respect to goodwill previously capitalised on the balance sheet, the Group on 1 January 2002 eliminated the carrying amount of the related accumulated amortisation of HK$698,000 with a corresponding decrease in the cost of goodwill (see note 24). The Group has discontinued amortising such goodwill from 1 January 2002 onwards and such goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 January 2002 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged since 1 January 2002. Comparative figures for 2004 has been restated (see note 3 for the financial impact).

In the current year, the Group has also applied HKAS 21 "The Effects of Changes in Foreign Exchange Rates" which requires goodwill to be treated as assets and liabilities of the foreign operation and translated at closing rate at each balance sheet date. Previously, goodwill arising on acquisitions of foreign operations was reported at the historical rate at each balance sheet date. In accordance with the relevant transitional provisions in HKAS 21, goodwill arising on acquisitions prior to 1 January 2005 is treated as a non-monetary foreign currency item. In the current year, the Group acquired some foreign operations, and goodwill arose on the acquisition of that foreign operations has been translated at the closing rate at 31 December 2005. There is no material impact on the Group's translation reserve in respect of such transaction.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous years, negative goodwill arising on acquisitions was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group derecognised all negative goodwill at 1 January 2002 presented as deduction from assets with a corresponding increase to retained earnings (see note 3 for the financial impact).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

Share-based payments

In the current year, the Group has applied HKFRS 2 "Share-Based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors and employees' share options of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group chooses not to apply HKFRS 2 with respect to share options granted on or before 7 November 2002 and vested before 1 January 2005. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. Comparative figures have been restated (see note 3 for the financial impact).

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Convertible bonds

The principal impact of HKAS 32 on the Group is in relation to convertible bonds issued by the Company that contain both liability and equity components. Previously, convertible bonds were classified as liabilities on the balance sheet. HKAS 32 requires an issuer of a compound financial instruments that contains both financial liability and equity components to separate the compound financial instrument into the liability and equity components on initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The Group has made a retrospective application in accordance with the requirements of HKAS 32 and comparative figures have been restated accordingly (see note 3 for the financial impact).

Classification and measurement of financial assets and financial liabilities

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Classification and measurement of financial assets and financial liabilities (Continued)

By 31 December 2004, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, the Group classified its investments in securities as "investment securities", which were securities held for an identified long-term strategic purpose, and were measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary. From 1 January 2005 onwards, the Group has classified and measured its debt and equity securities in accordance with HKAS 39. "Available-for-sale financial assets" are carried at fair value, with changes in fair values recognition in equity. Available-for-sale equity investments that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are measured at cost less impairment after initial recognition. There is no material impact on the financial statements of the Group for the year ended 31 December 2005.

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognised in profit or loss directly. "Other financial liabilities" are carried at amortised cost using the effective interest method after initial recognition. Accordingly, an adjustment to increase the Group's retained earnings and minority interests of HK$132,000 and HK$94,000 respectively and to reduce the carrying amount of the Group's guaranteed senior loan notes on 1 January 2005 of HK$226,000 was made in accordance with the transitional provision of HKAS 39.

Derivatives and hedging

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

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivatives and hedging (Continued)

The Group has applied the relevant transitional provisions in HKAS 39. For derivatives that are not held for hedging purposes, on 1 January 2005, the Group recognised the difference between the previous carrying amount recognised on the balance sheet and the fair value on 1 January 2005, amounting to HK$112,591,000, which was debited to the Group's retained earnings and minority interests of HK$70,486,000 and HK$42,105,000 respectively (see note 3 for the financial impact).

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the revaluation model. In the current year, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. This change in accounting policy has been applied retrospectively (see note 3 for the financial impact). Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

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

Pre-completion contracts for the sale of development properties

Previously, the Group applied the stage of completion method to recognise revenue from pre-completion contracts for the sale of development properties. In the current year, the Group has, for the first time, applied Hong Kong Interpretation 3 "Pre-completion Contracts for the Sales of Development Properties" ("HK-INT 3") which clarifies that the use of stage of completion method to recognise revenue from pre-completion contracts for the sale of development properties is not appropriate. Under HK-INT 3, revenue arising from pre-completion contracts for the sale of development properties is recognised only when all of the criteria specified in paragraph 14 of HKAS 18 "Revenue" are met. The Group has elected to early adopt the requirements of HK-INT 3 to pre-completion contracts for the sale of development properties entered into on or after 1 January 2004. Comparative figures have been restated (see note 3 for the financial impact).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in profit or loss for the year in which they arise. The application of HKAS 40 has no financial impact in prior year as the Group did not have investment properties in prior year.

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The cumulative effects of the application of the new HFKRSs and changes in accounting policies as at 31 December 2004 and 1 January 2005 are summarised below:

	31 December 2004 HK$'000 (originally stated)	Reclassification HK$'000	Retrospective adjustments HK$'000	31 December 2004 HK$'000 (restated)	Opening adjustments HK$'000	1 January 2005 HK$'000 (restated)
Balance sheet items						
Property, plant and equipment	2,374,254	–	(83,011)	2,291,243	–	2,291,243
Prepaid lease payments	–	–	76,888	76,888	–	76,888
Goodwill	180,120	–	72,729	252,849	–	252,849
Negative goodwill	(40,125)	–	40,125	–	–	–
Interests in associates	70,677	–	118	70,795	–	70,795
Stock of properties	2,082,615	–	226,033	2,308,648	–	2,308,648
Trade and other payables	(681,804)	–	(327,407)	(1,009,211)	–	(1,009,211)
Taxation	(79,470)	–	15,881	(63,589)	–	(63,589)
Derivative financial instruments	–	–	–	–	(112,591)	(112,591)
Borrowings – amount due after one year	(3,570,142)	–	49,077	(3,521,065)	226	(3,520,839)
	336,125	–	70,433	406,558	(112,365)	294,193
Retained earnings	1,413,530	–	12,183	1,425,713	(70,354)	1,355,359
Asset revaluation reserve	2,881	–	(2,881)	–	–	–
Goodwill reserve	2,632	–	(2,632)	–	–	–
Share option reserve	–	–	965	965	–	965
Minority interests	–	1,888,445	10,635	1,899,080	(42,011)	1,857,069
	1,419,043	1,888,445	18,270	3,325,758	(112,365)	3,213,393
Equity component of convertible bonds of a listed subsidiary	–	–	48,350	48,350	–	48,350
Equity component of share option reserve of listed subsidiaries	–	–	3,813	3,813	–	3,813
Minority interests	1,888,445	(1,888,445)	–	–	–	–
	3,307,488	–	70,433	3,377,921	(112,365)	3,265,556

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

The financial effects of the application of the new HKFRSs and changes in accounting policies to the Group's equity at 1 January 2004 are summarised below:

	As originally stated	Adjustments	As restated
	HK$'000	*HK$'000*	*HK$'000*
Retained earnings	1,199,750	48,725	1,248,475
Asset revaluation reserve	3,129	(3,129)	–
Goodwill reserve	2,632	(2,632)	–
Minority interests	874,556	3,636	878,192
	2,080,067	46,600	2,126,667
Equity component of convertible bonds of a listed subsidiary	–	48,350	48,350
	2,080,067	94,950	2,175,017

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

Effect of the changes in the accounting policies described above on the results for the current and prior years are as follows:

	2005 HK$'000	2004 HK$'000
Increase in staff cost and related expenses	(40,393)	(4,778)
Decrease in amortisation and depreciation of property, plant and equipment	40	40
Decrease in amortisation of goodwill	14,213	4,090
Increase in release of negative goodwill	13,721	37,661
Decrease in gain on disposal of subsidiaries	–	(2,434)
(Increase) decrease in effective interest on the Group's borrowings	(7,262)	727
Losses arising from changes in fair value of derivative financial instruments	(208,127)	–
Effect of the application of HK – INT 3	(278,819)	(85,494)
Increase in fair value of investment properties	240,778	–
Increase in share of results of associates	–	3,708
Decrease in profit for the year	(265,849)	(46,480)
Attributable to:		
Equity holders of the Company	(166,603)	(36,542)
Minority interests	(99,246)	(9,938)
	(265,849)	(46,480)

Analysis of increase (decrease) in profit for the year by line items presented according to their function:

	2005 HK$'000	2004 HK$'000
Decrease in turnover	(800,927)	(333,777)
Decrease in cost of sales	472,905	226,031
Increase in other income	13,721	37,661
(Increase) decrease in administrative expenses	(26,140)	3,108
Decrease in gain on disposal of subsidiaries	–	(2,434)
(Increase) decrease in finance costs	(7,262)	727
Increase in share of results of associates	–	3,708
Decrease in amortisation of goodwill in associates	–	2,615
Decrease in income tax	49,203	15,881
Increase in fair value of investment properties	240,778	–
Losses arising from changes in fair value of derivative financial instruments	(208,127)	–
Decrease in profit for the year	(265,849)	(46,480)
Attributable to:		
Equity holders of the Company	(166,603)	(36,542)
Minority interests	(99,246)	(9,938)
	(265,849)	(46,480)

3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the following new standards and interpretations that have been issued but are not yet effective as at 31 December 2005. The directors of the Company anticipate that the application of these standards, interpretations and amendments will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures[2]
HKAS 21 (Amendment)	Net investment in a foreign operation[2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions[2]
HKAS 39 (Amendment)	The fair value option[2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts[2]
HKFRS 6	Exploration for and evaluation of mineral resources[2]
HKFRS 7	Financial instruments: Disclosures[1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease[2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds[2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market, waste electrical and electronic equipment[3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2006.
[3] Effective for annual periods beginning on or after 1 December 2005.
[4] Effective for annual periods beginning on or after 1 March 2006.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and its subsidiaries.

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

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

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

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

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

Goodwill

Goodwill arising on acquisition prior to 1 January 2002

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

Goodwill previously recognised in reserves has been transferred to the Group's retained earnings on 1 January 2002. For previously capitalised goodwill arising on acquisitions prior to 1 January 2002, the Group has discontinued amortisation from 1 January 2002 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash generating unit to which the goodwill relates may be impaired (see the accounting policy below).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Goodwill arising on acquisitions on or after 1 January 2002

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

Capitalised goodwill arising on an acquisition of subsidiaries is presented separately in the balance sheet. Capitalised goodwill arising on an acquisition of associates is included in the cost of the investment of the relevant associates.

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

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

Goodwill arising on acquisition of additional interests in a subsidiary

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

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

A discount on acquisition arising on an acquisition of subsidiaries and associates for which an agreement date is on or after 1 January 2002 represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate is included as income in the determination of the investor's share of results of the associate in the period in which the investment is acquired.

As explained in note 3 above, all negative goodwill as at 1 January 2002 has been derecognised with a corresponding adjustment to the Group's retained earnings.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

Investments in associates

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

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

Recognition of revenue

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

Development properties

Income from properties developed for sale, which have not been pre-sold prior to completion of development, is recognised on the execution of legally binding, unconditional and irrevocable sales contracts.

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

Sales of electricity supply

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Recognition of revenue *(Continued)*

Gas pipelines construction revenue

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

Sales of goods

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

Income from property management services

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

Interest income

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

Dividend income

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

Property, plant and equipment

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

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

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%

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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

Investment properties

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

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

Construction in progress

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

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

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.

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

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

Inventories

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

Construction contracts

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

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

Impairment (other than goodwill)

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment (other than goodwill) *(Continued)*

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.

Financial instruments

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

Financial assets

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories.

For available-for-sale investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Bank and other borrowings and guaranteed senior notes

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

Convertible bonds

Convertible bonds issued by the Group that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the bonds into equity, is included in equity (convertible bonds reserve).

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

Other financial liabilities

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

Equity instruments

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

Derivative financial instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Embedded derivatives

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

Commodity derivatives

Commodity derivatives related to fuel oil prices which are not designated as hedging instruments, are accounted for as financial instruments held-for-trading. At each balance sheet date, subsequent to initial recognition, commodity derivatives are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Group

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

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

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

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

As mentioned in note 3, goodwill and fair value adjustments arising on acquisitions of foreign operations prior to 1 January 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

Taxation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in 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 profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefits costs

Payments to defined contribution retirement benefit schemes, state-managed retirement plans and Mandatory Provident Fund Scheme ("MPF Scheme") are charged as expenses as they fall due.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 4, management has made various estimates based on past experience, expectations of the future and other information. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Depreciation and amortisation

The Group's net book value of property, plant and equipment as at 31 December 2005 was approximately HK$3,094,885,000. The Group depreciates the property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at 3% to 40% per annum. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated cost of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Allowances for inventories

The management of the Group reviews an aged analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and consumables based primarily on the latest invoice prices and current market conditions.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. As at 31 December 2005, the carrying amount of goodwill is approximately HK$481,994,000 (including an amount of HK$84,917,000 included under interests in associates). Details of the recoverable amount calculation are disclosed in notes 24 and 25.

Income taxes

As at 31 December 2005, no deferred tax asset was recognised in the Group's balance sheet in relation to the estimated unused tax losses of HK$76,024,000 due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material recognition of deferred tax asset may arise, which would be recognised in the income statement for the period in which such a recognition takes place.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Share option benefit expenses

The share option benefit expense is subject to the limitations of the Black-Scholes option pricing model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behavior, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model (see note 42 for the estimates).

The number of options to be vested at the end of vesting period involves management estimation. Should the number of options being vested at the end of vesting period be changed, there would be material changes in the amount of share option benefits recognised in the profit and loss account and share option reserve.

Fair value of derivative financial instruments

The fair value of derivative financial instruments is based on market prices quoted from financial institutions for equivalent instruments at the balance sheet date. The amount is estimated by using a discount cash flow model with incorporate market data, discount rates and other assumptions. Should these assumptions be changed, there would be material changes to the carrying amount of the derivative financial instruments.

6. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's major financial instruments include available-for-sale investments, investments held for trading, bank deposits, bank balances and cash, loan receivables, trade and other receivables, trade and other payables, amounts due to minority shareholders, bank and other loans, derivative financial instruments, convertible bonds and guaranteed senior notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group collects all of its revenue in Renminbi ("RMB") and most of the expenditures as well as capital expenditures are also denominated in RMB.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and supply and demand of RMB. The appreciation or devaluation of RMB against HKD and USD may have positive or negative impact on the results of operations of the Group.

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

Market risk *(Continued)*

(i) Currency risk (Continued)

Certain borrowings of the Group are denominated in USD. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

(ii) Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings. In relation to these fixed-rate borrowings, the Group aims at keeping borrowings at variable rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt and derivative financial instruments.

(iii) Price risk

The Group's available-for-sale investments and investments held for trading are measured at fair value, except for those unlisted equity investments of which fair values cannot be measured reliably, at the balance sheet date. Therefore, the Group is exposed to equity and debt security price risk.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank borrowings (see note 35). The Group currently does not have policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arises.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2005 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

(A) Business segments

For management purposes, the Group currently organises its operations into five business segments, namely property development, property investment, 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
Property investment	–	rental income from investment 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

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(A) Business segments *(Continued)*

Segment information about these businesses is presented below.

For the year ended 31 December 2005

	Property development HK$'000	Property investment HK$'000	Gas fuel business HK$'000	Electricity supplies HK$'000	Others HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE							
External sales	1,109,736	11,441	2,324,100	1,292,131	32,944	–	4,770,352
Inter-segment sales	–	–	–	–	1,702	(1,702)	–
	1,109,736	11,441	2,324,100	1,292,131	34,646	(1,702)	4,770,352
RESULT							
Segment result	315,404	8,660	580,756	124,918	7,690	–	1,037,428
Other income							146,968
Unallocated corporate expenses							(271,363)
Gain on disposal of subsidiaries	–	–	–	40,794	–	–	40,794
Gain on group restructuring exercise							180,401
Gain on disposal of available-for-sale investments							116,397
Increase in fair value of investment properties	–	240,778	–	–	–	–	240,778
Share of results of associates	–	–	20,829	–	–	–	20,829
Finance costs							(182,803)
Changes in fair value of derivative financial instruments							(208,127)
Profit before taxation							1,121,302
Taxation							(134,036)
Profit for the year							987,266

Inter-segment sales are charged at prevailing market prices.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(A) Business segments *(Continued)*

At 31 December 2005

	Property development HK$'000	Property investment HK$'000	Gas fuel business HK$'000	Electricity supplies HK$'000	Others HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	3,236,579	240,978	4,481,097	2,206,611	14,829	10,180,094
Interests in associates	4	–	465,734	–	–	465,738
Unallocated corporate assets						1,159,110
Consolidated total assets						11,804,942
LIABILITIES						
Segment liabilities	1,502,379	–	546,418	196,878	10,290	2,255,965
Borrowings	586,040	–	2,015,305	1,149,206	–	3,750,551
Unallocated corporate liabilities						441,287
Consolidated total liabilities						6,447,803
OTHER INFORMATION						
Capital additions	4,870	–	765,477	215,160	20	985,527
Intangible assets additions	–	–	60,684	108,010	–	168,694
Depreciation and amortisation	9,158	–	63,724	95,016	582	168,480
Release of prepaid lease payments	–	–	1,506	968	–	2,474
Impairment loss on goodwill	–	–	–	6,405	–	6,405

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(A) Business segments *(Continued)*

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*
REVENUE						
External sales	144,500	1,800,253	99,857	28,001	-	2,072,611
Inter-segment sales	-	-	-	1,684	(1,684)	-
	144,500	1,800,253	99,857	29,685	(1,684)	2,072,611
RESULT						
Segment result	8,452	355,331	14,315	4,974	-	383,072
Other income						71,227
Unallocated corporate expenses						(92,155)
Gain on disposal of subsidiaries	3,898	84,373	-	-	-	88,271
Loss on deemed disposal arising from dilution of interest in a subsidiary	-	(3,266)	-	-	-	(3,266)
Loss on deemed disposal arising from dilution of interest in an associate	-	-	(432)	-	-	(432)
Share of results of associates	-	83	30,107	-	-	30,190
Finance costs						(33,994)
Profit before taxation						442,913
Taxation						(23,504)
Profit for the year						419,409

Inter-segment sales are charged at prevailing market prices.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

(A) Business segments *(Continued)*

At 31 December 2004

	Property development	Gas fuel business	Electricity supplies	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS					
Segment assets	2,827,911	2,158,805	1,704,461	9,266	6,700,443
Interests in associates	–	70,795	–	–	70,795
Unallocated corporate assets					3,053,707
Consolidated total assets					9,824,945
LIABILITIES					
Segment liabilities	735,486	155,519	133,686	6,702	1,031,393
Borrowings	1,125,612	1,901,347	1,305,665	–	4,332,624
Unallocated corporate liabilities					72,180
Consolidated total liabilities					5,436,197
OTHER INFORMATION					
Capital additions	13,162	489,180	1,264,379	1,795	1,768,516
Intangible asset additions	–	8,951	220,711	–	229,662
Depreciation and amortisation	9,132	36,416	5,381	362	51,291
Release of prepaid lease payments	–	1,471	86	–	1,557

(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.

8. OTHER INCOME

	2005	2004
	HK$'000	*HK$'000*
Interest income	**70,703**	16,461
Dividend income from available-for-sale investments	**5,346**	–
Discounts on acquisition	**15,189**	40,140
Gain on disposal of property, plant and equipment	**–**	123
Changes in fair value of convertible option of exchangeable note	**7,227**	–
Rental income	**158**	3,722
Unrealised holding gain on commodity derivatives	**–**	907
Unrealised gain on investments held for trading/investments in securities	**11,949**	754
Net exchange gain	**25,943**	2,249
Sundry	**10,453**	6,871
	146,968	71,227

9. OTHER OPERATING EXPENSES

	2005	2004
	HK$'000	*HK$'000*
Loss on disposal of property, plant and equipment	**2,444**	–
Donations	**1,248**	1,950
Impairment loss recognised in respect of available-for-sale investments/investments in securities	**50,000**	25,000
Impairment loss on goodwill	**6,405**	–
Others	**8,794**	7,168
	68,891	34,118

10. GAIN ON GROUP RESTRUCTURING EXERCISE

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

11. GAIN ON DISPOSAL OF SUBSIDIARIES

	2005	2004
	HK$'000	*HK$'000*
Gain on partial disposal of interests in subsidiaries	**40,658**	84,747
Gain on deemed disposal of subsidiaries	**136**	–
Gain on disposal of subsidiaries	**–**	3,524
	40,794	88,271

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

During the year, the Group disposed of its 41% equity interests in Xin Hua Control Engineering Company Limited which are classified as available-for-sale investments and certain other available-for-sale investments. The gain on disposal is completed as follows:

	2005	2004
	HK$'000	*HK$'000*
Net assets disposed of:		
Investments *(note 26)*	**183,226**	–
Dividend receivable	**3,475**	–
Other receivable	**191**	–
	186,892	–
Gain on disposal	**116,397**	–
	303,289	–
Consideration:		
Cash	**278,830**	–
Loan receivables *(note 28)*	**24,459**	–
	303,289	–

The loan receivables of HK$24,459,000 bearing prevailing market interest rate which will be settled in 2007.

13. FINANCE COSTS

	2005	2004
	HK$'000	*HK$'000*
Interest on:		
– bank and other borrowings wholly repayable within five years	**106,436**	51,107
– bank and other borrowings not wholly repayable within five years	**–**	38,237
– convertible bonds	**22,782**	13,685
– senior notes	**132,404**	–
	261,622	103,029
Net interest receivable on interest rate swaps	**(43,988)**	(26,239)
	217,634	76,790
Less: Amount capitalised to properties under development for sale	**(31,916)**	(41,438)
Amount capitalised to construction in progress	**(7,196)**	(1,594)
	178,522	33,758
Bank charges	**4,281**	236
	182,803	33,994

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.4% (2004: 4.2%) to expenditure on qualifying assets.

14. PROFIT BEFORE TAXATION

	2005	2004
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Amortisation of intangible asset (included under administrative expenses)	**428**	502
Auditors' remuneration	**4,294**	2,380
Cost of inventories recognised as an expense	**2,562,906**	1,349,689
Depreciation and amortisation of property, plant and equipment	**168,052**	50,789
Release of prepaid lease payments	**2,474**	1,557
Operating lease rentals in respect of land and buildings	**12,292**	8,211
Staff costs including directors' remuneration	**120,177**	99,999
Share of tax of associates (included in share of results of associates)	**3,573**	–
and after crediting:		
Rental income, net of outgoings of approximately HK$2,781,000 (2004: nil)	**8,660**	–

15. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 8 (2004: 9) directors were as follows:

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

	Year ended 31 December 2004									
	Mr. Ou Yaping HK$'000	Mr. Tang Yui Man Francis HK$'000	Mr. Chen Wei HK$'000	Mr. Law Sze Lai HK$'000	Mr. Xin Luo Lin HK$'000	Mr. Li Zhi Xiang HK$'000	Mr. Davin Alexander MacKenzie HK$'000	Mr. Cheung Wing Yui HK$'000	Mr. Tsang Yu Chor Patrick HK$'000	Total HK$'000
Fees	-	-	-	-	150	-	57	62	-	269
Other emoluments										
Salaries and other benefits	3,876	1,780	2,665	1,388	-	-	-	-	-	9,709
Retirement benefits scheme contributions	12	12	68	12	-	-	-	-	-	104
Share-based payment	-	387	387	-	-	-	74	-	-	848
Total emoluments	3,888	2,179	3,120	1,400	150	-	131	62	-	10,930

Note: The performance related incentive payments are determined having regard to the performance of individuals and market trends.

During the year, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any remunerations for the year ended 31 December 2005.

16. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2004: four) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining individual were as follows:

	2005	2004
	HK$'000	*HK$'000*
Salaries and other emoluments benefits	3,024	724
Retirement benefits scheme contributions	160	23
	3,184	747

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

17. TAXATION

	2005	2004
	HK$'000	*HK$'000*
The charge comprises:		
PRC Enterprise Income Tax		
– current year	104,231	23,504
– overprovision in prior years	(6,312)	–
	97,919	23,504
Deferred tax *(note 36)*	36,117	–
	134,036	23,504

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

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

17. TAXATION *(Continued)*

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

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

	2005	2004
	HK$'000	*HK$'000*
Profit before taxation	**1,121,302**	442,913
Tax at the applicable tax rate of 33% (2004: 33%) *(Note)*	**370,030**	146,161
Tax effect of expenses that are not deductible for tax purposes	**172,942**	23,246
Tax effect of income that is exempted from PRC enterprise income tax and other regions in determining taxable profit	**(177,952)**	(101,500)
Effect of different tax rates of subsidiaries entitled to a 50% reduction in PRC enterprise income tax rates and operating in different provinces	**(229,619)**	(36,415)
Tax effect of share of results of associates	**(6,873)**	(9,963)
Tax effect of utilisation of tax losses not previously recognised	**(243)**	–
Tax effect of tax losses not recognised	**12,063**	1,975
Overprovision of taxation in previous years	**(6,312)**	–
Taxation for the year	**134,036**	23,504

Note: The tax rate of 33% represents PRC Enterprise Income Tax which is applicable to most of the Group's operations in the PRC for both years.

18. DIVIDENDS

	2005	2004
	HK$'000	*HK$'000*
Ordinary shares:		
Interim, paid – HK$0.03 (2004: HK$0.015) per share	**70,544**	34,781
Special interim, paid – HK$0.033 (2004: nil) per share	**77,598**	–
2004 final, paid – HK$0.03 (2003: HK$0.03) per share	**70,429**	57,460
	218,571	92,241

On 22 March 2006, the board declared a special interim dividend by way of a distribution in respect of Enerchina shares held by the Company in proportion of 5 Enerchina shares for every 10 shares held by the shareholders of the Company. A total of 1,422,214,340 Enerchina Shares with aggregate market value worths HK$995,550,000 were distributed to the shareholders of the Company on 13 April 2006.

The final dividend of HK$0.035 per share (2004: HK$0.03 per share) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

19. EARNINGS PER SHARE

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

	2005	2004
	HK$'000	*HK$'000*
Earnings for the purposes of basic earnings per share, being profit for the year attributable to equity holders of the Company	**670,909**	277,935
Effect of dilutive potential shares:		
Adjustment to the share of results of subsidiaries based on dilution of their earnings per share	**(1,250)**	(12,330)
Earnings for the purposes of diluted earnings per share	**669,659**	265,605

19. EARNINGS PER SHARE *(Continued)*

	Number of shares	
	2005	2004
Weighted average number of shares for the purposes of basic earnings per share	**2,360,969,665**	2,310,630,573
Effect of dilutive potential shares:		
Share options	**23,816,091**	18,250,449
Weighted average number of shares for the purposes of diluted earnings per share	**2,384,785,756**	2,328,881,022

The following table summarises the impact on basic and diluted earnings per share as a result of the changes in accounting policies:

	Basic earnings per share		Diluted earnings per share	
	2005	2004	**2005**	2004
	HK cents	*HK cents*	***HK cents***	*HK cents*
Reported figures before adjustments	**35.47**	13.61	**35.07**	12.87
Adjustments arising from the changes in accounting policies	**(7.05)**	(1.58)	**(6.99)**	(1.47)
	28.42	12.03	**28.08**	11.40

20. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Construction in progress	Furniture, fixtures and equipment	Gas pipelines	Motor vehicles	Plant and machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 January 2004							
– as originally stated	147,093	54,053	42,429	346,481	34,957	155,032	780,045
– effect on changes in accounting policies	(39,168)	–	–	–	–	–	(39,168)
– as restated	107,925	54,053	42,429	346,481	34,957	155,032	740,877
Additions	9,301	460,161	9,261	–	7,341	2,247	488,311
On acquisition of subsidiaries	84,708	70,741	2,455	173,854	3,338	896,855	1,231,951
Disposals	(9,502)	–	(1,046)	(629)	(3,509)	(1,040)	(15,726)
On disposal of subsidiaries	–	–	(27)	–	(90)	(139)	(256)
Reclassification	–	–	–	212	–	(212)	–
Transfer	530	(301,358)	(31)	300,502	–	357	–
At 31 December 2004	192,962	283,597	53,041	820,420	42,037	1,053,100	2,445,157
Currency realignment	5,475	7,348	1,256	22,280	1,106	29,635	67,100
Additions	24,323	212,893	4,855	471,725	7,729	68,210	789,735
On acquisition of subsidiaries	35,801	662	989	72,793	3,649	32,327	146,221
Disposals	(11,443)	(2,923)	(1,521)	(233)	(3,339)	(11,327)	(30,786)
Reclassification	5,881	(436,000)	(2,835)	19,883	–	413,071	–
Transfer from stock of properties	3,580	–	–	–	–	–	3,580
At 31 December 2005	**256,579**	**65,577**	**55,785**	**1,406,868**	**51,182**	**1,585,016**	**3,421,007**

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

	Buildings	Construction in progress	Furniture, fixtures and equipment	Gas pipelines	Motor vehicles	Plant and machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
DEPRECIATION AND AMORTISATION							
At 1 January 2004							
– as originally stated	23,973	–	24,334	11,903	14,774	36,658	111,642
– effect on changes in accounting policies	(1,912)	–	–	–	–	–	(1,912)
– as restated	22,061	–	24,334	11,903	14,774	36,658	109,730
Provided for the year	6,304	–	6,296	20,583	4,711	12,895	50,789
Eliminated on disposals	–	–	(665)	(5)	(2,693)	(368)	(3,731)
Eliminated on disposal of subsidiaries	–	–	(8)	–	(60)	(39)	(107)
Written back	(2,767)	–	–	–	–	–	(2,767)
Reclassification	–	–	–	(212)	–	212	–
At 31 December 2004	25,598	–	29,957	32,269	16,732	49,358	153,914
Currency realignment	996	–	762	1,260	494	4,590	8,102
Provided for the year	12,180	–	4,995	43,445	6,282	101,150	168,052
Eliminated on disposals	(14)	–	(875)	(6)	(1,398)	(1,653)	(3,946)
Reclassification	239	–	297	580	–	(1,116)	–
At 31 December 2005	**38,999**	**–**	**35,136**	**77,548**	**22,110**	**152,329**	**326,122**
CARRYING VALUES							
At 31 December 2005	**217,580**	**65,577**	**20,649**	**1,329,320**	**29,072**	**1,432,687**	**3,094,885**
At 31 December 2004	167,364	283,597	23,084	788,151	25,305	1,003,742	2,291,243

The buildings are situated on land in the PRC which is held under medium term leases.

21. PREPAID LEASE PAYMENTS

	2005	2004
	HK$'000	*HK$'000*
The Group's prepaid lease payments comprise:		
Leasehold land outside Hong Kong:		
Medium-term lease	**125,782**	76,888
Analysed for reporting purposes as:		
Current assets	**3,694**	2,314
Non-current assets	**122,088**	74,574
	125,782	76,888

22. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 January 2004 and 1 January 2005	–
Transfer from stock of properties	240,978
Increase in fair value of investment properties	240,778
At 31 December 2005	**481,756**

The fair value of the Group's investment properties at 31 December 2005 have been arrived at on the basis of a valuation carried out on 3 April 2006 by Messrs. DTZ Debenham Tie Leung Limited, Chartered Surveyors, independent qualified professional valuers not connected with the Group. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

The investment properties are held under medium term leases and are situated in the PRC. At 31 December 2005, the Group is in the process of applying for the relevant real estate ownership certificate with respect to certain investment properties with fair value of HK$133,000,000.

22. INVESTMENT PROPERTIES *(Continued)*

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. As at 31 December 2005, the carrying amount of such property interests amounted to HK$481,756,000.

23. INTANGIBLE ASSET

	HK$'000
COST	
At 1 January 2004 and 31 December 2004	10,035
Currency realignment	260
At 31 December 2005	**10,295**
AMORTISATION	
At 1 January 2004	373
Provide for the year	502
At 31 December 2004	875
Currency realignment	23
Provide for the year	428
At 31 December 2005	**1,326**
CARRYING VALUES	
At 31 December 2005	**8,969**
At 31 December 2004	9,160

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

24. GOODWILL

	HK$'000
COST	
At 1 January 2004	24,519
Elimination of accumulated amortisation upon the application of HKFRS 3 *(note 3)*	(698)
Arising on acquisition of subsidiaries	229,662
Eliminated on partial disposal of interest in a subsidiary	(634)
At 31 December 2004	252,849
Currency realignment	291
Arising on acquisition of subsidiaries *(note 39)*	37,040
Arising on acquisition of additional interest in subsidiaries	131,654
Eliminated on partial disposal of interest in a subsidiary	(18,352)
At 31 December 2005	**403,482**
AMORTISATION	
At 1 January 2004	
– as originally stated	3,076
– effect on adoption of HKFRS 3 *(note 3)*	
– reversal of amortisation	(2,378)
– elimination of accumulated amortisation upon the application of HKFRS 3	(698)
At 31 December 2004 and 31 December 2005	–
IMPAIRMENT	
Impairment loss recognised for the year and at 31 December 2005	(6,405)
CARRYING VALUES	
At 31 December 2005	**397,077**
At 31 December 2004	252,849

The goodwill, which arose from acquisition of subsidiaries, is not amortised commencing from 1 January 2002 in accordance with the transitional provision of HKFRS 3.

24. GOODWILL *(Continued)*

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2005	2004
	HK$'000	*HK$'000*
Gas fuel business	**92,037**	31,062
Electricity supplies	**311,445**	221,787
	403,482	252,849

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUS. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecast derived from the most recent financial budgets approved by management for the next 5 years and extrapolates cash flows for the following 15 years based on an estimated growth rate of 3% – 5%. This rate does not exceed that average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows from gas fuel business and electricity supplies is 12%.

As at 31 December 2005, the Group recognised an impairment loss of HK$6,405,000 in relation to goodwill arising in acquisition of Beijing Zhonglian Far East Engineering & Project Management Consulting Services Co., Ltd. in respect of the keen competition of the market.

25. INTERESTS IN ASSOCIATES

	2005	2004
	HK$'000	*HK$'000*
Share of net assets	**380,821**	35,377
Goodwill on acquisition of associates	**84,917**	35,418
	465,738	70,795

Details of the Group's associate as at 31 December 2005 are as follows:

Name of associate	**Place of establishment and operation**	**Percentage of equity interest attributable to the Group**	**Principal activities**
佛山市燃氣集團有限公司 Foshan Panva Gas Co., Ltd.	PRC– Sino-foreign equity joint venture	45%	Provision of LPG, natural gas and related services and gas pipeline construction
長春燃氣控股有限公司 Changchun Gas Holdings Limited	PRC– Sino-foreign equity joint venture	48%	Provision and/or distribution of natural gas, coal gas, LPG, metallurgical coke and coke oil
Rockefeller Group Asia Pacific, Inc.	PRC– equity interest venture	49%	Property development

25. INTERESTS IN ASSOCIATES *(Continued)*

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

	2005	2004
	HK$'000	*HK$'000*
Total assets	**2,363,744**	3,191,721
Total liabilities	**(1,586,270)**	(1,769,973)
	777,474	1,421,748
Revenue	**1,425,295**	900,984
Profit for the year	**44,139**	80,414

25. INTERESTS IN ASSOCIATES *(Continued)*

Note:

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

	Goodwill	Negative goodwill
	HK$'000	*HK$'000*
COST		
At 1 January 2004		
– as originally stated	54,482	(22,759)
– effect on adoption of HKFRS 3 *(note 3)*	–	22,759
– as restates, at 1 January 2004	54,482	–
Arising on acquisition of subsidiaries	35,418	–
Eliminated upon the change of status from an associate to a subsidiary	(54,482)	–
At 31 December 2004	35,418	–
Arising from acquisition of an associate	49,499	–
At 31 December 2004 and 31 December 2005	84,917	–
AMORTISATION		
At 1 January 2004		
– as originally stated	4,540	948
– effect on adoption of HKFRS 3 *(note 3)*	(4,540)	(948)
– as restated, at 31 December 2004 and 31 December 2005	–	–
CARRYING VALUES		
At 31 December 2005	**84,917**	**–**
At 31 December 2004	35,418	–

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

25. INTERESTS IN ASSOCIATES *(Continued)*

The recoverable amounts are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates of 12% using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the business. The growth rates of 5% are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecast derived from the most recent financial budgets approved by management for the next 5 years. The directors considered no impairment loss is necessary at 31 December 2005.

26. AVAILABLE-FOR-SALE INVESTMENTS

	2005 *HK$'000*	2004 *HK$'000*
Unlisted shares in Hong Kong, at cost	75,000	–
Unlisted shares in the PRC, at cost	189,805	–
Club debentures, at cost	2,496	–
	267,301	–
Less: Impairment loss recognised	(75,000)	–
	192,301	–

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

During the year, the directors reviewed the carrying amounts of available-for-sale investments and identified that they were impaired. Accordingly, an impairment loss of HK$50,000,000 was recognised in the financial statements to write down the carrying amount of the investments due to substantial loss incurred by an investee company, the directors are in the opinion that the invested amount is not recoverable.

In the current year, the Group disposed of certain unlisted shares with carrying amount of HK$183,226,000 which had been carried at cost less impairment before the disposal. A gain on disposal of HK$116,397,000 has been recognised in profit or loss for the current year.

27. INVESTMENTS HELD FOR TRADING

	2005	2004
	HK$'000	*HK$'000*
Investments held for trading, at fair value		
Listed shares in PRC or Hong Kong	9,938	–
Managed funds	144,561	–
	154,499	–

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

28. LOAN RECEIVABLES

	2005	2004
	HK$'000	*HK$'000*
Shareholder's loan receivable *(note)*	323,567	–
Long-term receivable *(note 12)*	24,459	–
	348,026	–

Note: The amount represents loan receivable from its associate, Rockefeller Group Asia Pacific, Inc., which carries compound interest rate at 20% per annum. The loan is unsecured and not repayable within the next twelve months.

The fair value of the Group's loan receivables as at the balance sheet, determined based on the present value of the estimated future cash flows discounted using the prevailing rate at the balance sheet date approximates to the carrying amount of the receivables.

29. STOCK OF PROPERTIES

	2005	2004
	HK$'000	*HK$'000*
Properties under development for sale, at cost	2,337,278	2,008,352
Stock of properties held for sale	13,067	300,296
	2,350,345	2,308,648

29. STOCK OF PROPERTIES *(Continued)*

Stock of properties were stated at cost. Included in the stock of properties is interest capitalised of HK$156,748,000 (2004: HK$150,354,000).

30. INVENTORIES

	2005	2004
	HK$'000	*HK$'000*
Gas fuel	**27,852**	14,430
Fuel oil	**125,023**	62,367
Consumable stores	**39,126**	25,305
	192,001	102,102

31. 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$651,495,000 (2004: HK$306,885,000), the aged analysis of which is as follows:

	2005	2004
	HK$'000	*HK$'000*
Trade debtors	**651,495**	306,885
Other receivables	**904,439**	563,913
	1,555,934	870,798
Aged:		
0 to 90 days	**645,366**	303,752
91 to 180 days	**1,054**	841
181 to 360 days	**1,815**	1,798
over 360 days	**3,260**	494
	651,495	306,885

The fair values of the Group's trade and other receivables at 31 December 2005 approximates to the corresponding carrying amounts.

32. AMOUNTS DUE FROM/TO MINORITY SHAREHOLDERS

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

The fair values of the amounts due from/to minority shareholders at 31 December 2005 approximates to the corresponding carrying amounts.

33. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$319,014,000 (2004: HK$105,381,000), the aged analysis of which is as follows:

	2005	2004
	HK$'000	*HK$'000*
Aged:		
0 to 90 days	**285,304**	74,595
91 to 180 days	**11,626**	6,482
181 to 360 days	**2,990**	9,258
over 360 days	**19,094**	15,046
	319,014	105,381

The fair values of the Group's trade and other payables at 31 December 2005 approximates to the corresponding carrying amounts.

34. DERIVATIVE FINANCIAL INSTRUMENTS

	2005	2004
	HK$'000	*HK$'000*
Fair value hedges – interest rate swaps *(Note a)*	**327,680**	–
Conversion option under exchangeable note *(Note b)*	**5,290**	–
	332,970	–

34. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Notes:

(a) **Fair value hedges**

During the year, a subsidiary of the Company entered interest rate swaps contracts to manage its interest cost. Major terms of the interest rate swaps are set out below:

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

* *Where:*

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

US$ 30 year CMS – US$2 year CMS

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

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

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

(b) On 30 October 2004, the exchangeable note of HK$62,500,000 was issued by a subsidiary of the Company. The exchangeable note will be exchangeable into shares of Panva Gas, a subsidiary of the Company which is also listed on the Stock Exchange, from the date of issue up to the second anniversary of the date of issue on 30 October 2006 at par. The note entitles the holder to convert them into ordinary shares of Panva Gas at the same amount. The fair value of the derivative was calculated using the Black-Scholes pricing model. The derivative is measured at fair value at each balance sheet date.

35. BORROWINGS

	2005	2004
	HK$'000	*HK$'000*
Bank loans – secured	**777,815**	598,485
Bank loans – unsecured	**959,936**	1,666,410
Other loans – unsecured	**96,758**	150,608
Exchangeable note *(Note a)*	**61,235**	62,500
Convertible bonds *(Note b)*	**362,116**	329,911
Guaranteed senior notes *(Note c)*	**1,553,926**	1,524,710
	3,811,786	4,332,624
Carrying amount repayable:		
On demand or within one year	**1,188,708**	811,559
More than one year but not exceeding two years	**303,437**	975,392
More than two years but not exceeding five years	**800,030**	980,645
More than five years	**1,519,611**	1,565,028
	3,811,786	4,332,624
Less: Amount due within one year shown under current liabilities	**(1,188,708)**	(811,559)
Amount due after one year	**2,623,078**	3,521,065

Notes:

(a) The exchangeable note with principal of HK$62,500,000 was issued on 30 October 2004 by a subsidiary of the Company. The exchangeable note can be exchanged into shares of Panva Gas from the date of issue up to the second anniversary of the date of issue on 30 October 2006 at par at the discretion of the note holder. Interest is payable at 2% per annum. The effective interest rate of the exchangeable note is 3.23%.

(b) The Group issued the 2% convertible bonds of US$50,000,000 on 23 April 2003. The bonds are convertible into shares of Panva Gas on or after 7 June 2003 and up to 9 April 2008. The conversion price at which each share shall be issued upon conversion is HK$3.8043 per share (adjusted to account for the effect of the issue of additional new shares). The outstanding unconverted principal amount of the bonds will be redeemed on 23 April 2008 at 108.119%. Interest of 2% is payable per annum. The effective interest rate of the liability component is 6.48%.

35. BORROWINGS *(Continued)*

Notes: (Continued)

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

(d) The bank and other loans are mainly carried at fixed interest rate at a range of 2.0% – 6.4% per annum.

The fair value of the Group's bank and other borrowings approximates to the corresponding carrying amount calculated by discounting the future cash flows at the prevailing market borrowing rate for similar borrowings at the balance sheet date.

36. DEFERRED TAXATION

At the balance sheet date, deferred taxation liabilities amounting to HK$36,117,000 (2004: nil) were provided on temporary differences arising from changes in fair value of investment properties.

At the balance sheet date, the Group has estimated unused tax losses of HK$76,024,000 (2004: HK$49,559,000) 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 expire within five years from the date of origination.

37. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Shares of HK$0.10 each		
Authorised:		
At 1 January 2004, 31 December 2004 and 31 December 2005	4,800,000,000	480,000
Issued and fully paid:		
At 1 January 2004	1,911,035,200	191,104
Bonus issue of shares	383,067,040	38,306
Issue of shares on the exercise of share options	39,350,000	3,935
At 31 December 2004	2,333,452,240	233,345
Issue of shares on placing and subscription arrangements	280,000,000	28,000
Issue of shares on the exercise of share options	21,460,000	2,146
At 31 December 2005	2,634,912,240	263,491

Changes in the share capital of the Company during the year ended 31 December 2004 are as follows:

(a) 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.

(b) 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.

37. SHARE CAPITAL *(Continued)*

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

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

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

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

38. RESERVES

Details of changes in reserves of the Group are set out in consolidated statement of changes in equity on pages 54 to 55.

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

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

The capital reserve represents the deemed contribution arising from waiver of loan from the minority shareholders of the subsidiaries.

39. ACQUISITION OF SUBSIDIARIES

During the year, the Group acquired 70%, 70%, 100% and 80% of the registered capital of Beijing Zhonglian of East Engineering and Project Management Consultant Services Co., Ltd., Pengshan Panva Gas Co., Ltd., Jianyang Panva Gas Co., Ltd. and Benxi Panva Gas Co., Ltd. respectively for an aggregate consideration of HK$133,364,000. The acquisitions have been accounted for by the acquisition method of accounting. The aggregate amount of goodwill arising as a result of the acquisitions was HK$37,040,000.

During the year ended 31 December 2004, the Group increased its shareholding 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. 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$229,662,000 and HK$22,646,000 respectively.

39. ACQUISITION OF SUBSIDIARIES *(Continued)*

	2005 HK$'000	2004 HK$'000
Net assets acquired:		
Property, plant and equipment	**146,221**	1,231,951
Prepaid lease payments	**45,115**	47,598
Available-for-sale investments	**3,977**	–
Investments in securities	**–**	146,946
Inventories	**2,366**	80,489
Trade and other receivables	**37,245**	477,519
Amounts due from minority shareholders	**–**	28,064
Pledged bank deposits	**–**	72,467
Bank balances and cash	**23,786**	908,296
Trade and other payables	**(55,138)**	(321,714)
Taxation	**(516)**	–
Amounts due to minority shareholders	**–**	(13,719)
Borrowings	**(80,259)**	(1,295,722)
Minority interests	**(26,473)**	(772,727)
	96,324	589,448
Goodwill	**37,040**	229,662
Discount on acquisition	**–**	(22,646)
	133,364	796,464
Satisfied by:		
Cash paid	**133,364**	272,704
Interest in an associate	**–**	507,265
Amounts due to minority shareholders	**–**	16,495
	133,364	796,464
Net cash (outflow) inflow arising on acquisition:		
Cash consideration	**(133,364)**	(272,704)
Bank balances and cash acquired	**23,786**	908,296
Net (outflow) inflow of cash and cash equivalents in respect of acquisition of subsidiaries	**(109,578)**	635,592

39. ACQUISITION OF SUBSIDIARIES *(Continued)*

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

The subsidiaries acquired during the year ended 31 December 2005 contributed HK$224,313,000 (2004: HK$291,203,000) to the Group's turnover and HK$95,851,000 (2004: HK$63,966,000) to the Group's profit before taxation.

If the acquisitions made during the year ended 31 December 2005 had been completed on 1 January 2005, total group revenue for the year would have been HK$4,803,220,000, and profit for the year would have been HK$980,332,000. The pro forma information is for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 January 2005, nor is it intended to be a projection of future results.

40. DISPOSAL OF SUBSIDIARIES

	2005	2004
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	–	149
Stock of unsold properties	–	48,663
Inventories	–	37
Trade and other receivables	–	202
Bank balances and cash	–	126
Trade and other payables	–	(69)
Minority interests	–	(31)
	–	49,077
Loss on disposal	–	3,524
Total consideration	–	52,601
Satisfied by:		
Net cash inflow arising on disposal:		
Proceeds received on disposal	–	52,601
Bank balances and cash disposed of	–	(126)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	52,475

41. RELATED PARTY TRANSACTIONS

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

Name of related party	Nature of transactions	2005 HK$'000	2004 HK$'000
Skillful Assets Limited *(Note a)*	Rental paid thereto	**996**	996
Enerchina	Interest received therefrom	**–**	152
	Office expenses received therefrom	**–**	855

Note:

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

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 15.

42. SHARE OPTIONS

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

42. SHARE OPTIONS *(Continued)*

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

	Number of share options						
	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	Outstanding at end of year
For the year ended 31 December 2005	31,250,000	104,800,000	-	-	(21,460,000)	(1,750,000)	112,840,000
Weighted average exercise price	0.719	1.126	N/A	N/A	0.700	0.969	1.097
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
Weighted average exercise price	0.665	0.910	0.670	N/A	0.580	0.760	0.719

42. SHARE OPTIONS *(Continued)*

The weighted average share price at the date of exercise for share options during the year was at a range of HK$1.12 to HK$2.05. During the year ended 31 December 2004, the weighted average share price of the Company at the dates of exercise of the share options was at a range of HK$0.83 to HK$1.13 per share.

During the year, options were granted on 13 January 2005. The estimated fair values of the options granted on the date is HK$0.31 per option. During the year ended 31 December 2004, options were granted on 1 January 2004. The estimated fair values of the options granted on the date was HK$0.19 per option.

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

	2005	2004
Weighted average share price	**HK$1.140**	HK$0.73
Weighted average exercise price	**HK$1.126**	HK$0.76
Expected volatility	**50% p.a**	47% p.a
Expected life	**4.5 years**	5 years
Risk free rate	**2.62% p.a**	3.16% p.a
Expected dividend yield	**4.93% p.a**	4.92% p.a
Rate of leaving service	**5% p.a**	5% p.a

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

The Group recognised total expenses of HK$40,393,000 (2004: HK$4,778,000) for the year ended 31 December 2005 in relation to share options granted by the Company and its listed subsidiaries.

43. 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.

43. RETIREMENT BENEFITS SCHEMES *(Continued)*

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$7,958,000 (2004: HK$5,495,000).

44. CONTINGENT LIABILITIES

	2005	2004
	HK$'000	*HK$'000*
Guarantees given to banks for the mortgage loans arranged for the purchasers of the Group's properties	**703,997**	261,484

45. COMMITMENTS

	2005	2004
	HK$'000	*HK$'000*
Commitments in respect of properties under development:		
– contracted for but not provided in the financial statements	**594,269**	381,359
– authorised but not contracted for	**–**	296,004
	594,269	677,363
Capital expenditure in respect of unpaid capital contribution of investment projects		
– contracted for but not provided in the financial statements	**1,132,715**	526,008
Capital expenditure in respect of the acquisition of property, plant and equipment		
– contracted for but not provided in the financial statements	**–**	191,488
	1,726,984	1,394,859

46. 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:

	2005	2004
	HK$'000	*HK$'000*
Within one year	**10,352**	9,144
In the second to fifth year inclusive	**39,141**	35,601
Over five years	**78,680**	90,916
	128,173	135,661

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

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

	2005	2004
	HK$'000	*HK$'000*
Within one year	**34,013**	12,116
In the second to fifth years inclusive	**11,992**	19,130
Over five years	**13,424**	14,518
	59,429	45,764

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

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

47. PLEDGE OF ASSETS

At 31 December 2005, bank deposits of HK$285,145,000 (2004: HK$150,417,000), land held under medium term leases included in stock of properties under development for sale with an aggregate carrying amount of HK$253,851,000 (2004: HK$441,956,000) and other property, plant and equipment with an aggregate carrying amount of HK$852,295,000 (2004: HK$56,472,000) were pledged to banks to secure general banking facilities granted to the Group. The pledged bank deposits carry at prevailing market interest rate. The fair value of pledged bank deposits at 31 December 2005 approximates to the corresponding carrying amount.

48. POST BALANCE SHEET EVENTS

(a) On 25 January 2006, the Company entered into the Placing and Subscription Agreement under which 189,456,448 shares ("Placing Shares") were allotted and issued to a controlling shareholder of the Company for the total consideration of approximately HK$426,000,000. The Placing Shares will then be placed by the controlling shareholder to independent placees at the price of HK$2.34 per share.

(b) On 22 March 2006, the Board of the Company declared a special interim dividend to be satisfied by way of a distribution in specie of Enerchina shares held by the Company in the proportion of 5 Enerchina shares for every 10 shares held by the shareholders of the Company. The relevant resolution in respect of this special dividend was passed on 10 April 2006, whereby bringing the shareholding of the Company in Enerchina from 74.79% to 45.56%. Enerchina will become an associate of the Company after the distribution.

49. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2005 are as follows:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Property development and management division					
Executive Choice Investments Limited	BVI	US$1	100%	–	Investment holding
Firstline Investment Limited	BVI	US$1	–	100%	Investment holding
Knatwood Limited	BVI	US$1	–	100%	Investment holding
Leader Faith International Limited	BVI	US$1	100%	–	Investment holding
Link Capital Investments Limited	BVI	US$50,000	–	100%	Investment holding
Ocean Diamond Limited	BVI	US$50,000	–	100%	Investment holding
Shenzhen Mangrove West Coast Property Development Co. Ltd. 深圳紅樹西岸地產發展有限公司	PRC – Sino-foreign equity joint venture	RMB200,000,000	–	87%	Property development
Shenzhen Sinolink Property Management Co., Ltd. 深圳百仕達物業管理有限公司	PRC – Foreign equity joint venture	RMB2,000,000	–	82.80%	Property management

49. 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 Directly	Indirectly	Principal activities
Property development and management division *(Continued)*					
Sinolink International Investment (Group) Limited	BVI	US$1	–	100%	Investment holding
Sinolink LPG Development Limited	BVI	US$1	–	100%	Investment holding
Sinolink Petrochemical Investment Limited	BVI	US$1	–	100%	Investment holding
Sinolink Progressive Limited	BVI	US$47,207	100%	–	Investment holding
Sinolink Properties Agent Limited 百仕達物業代理有限公司	Hong Kong	HK$10,000	–	100%	Property agent
Sinolink Properties Limited 百仕達地產有限公司	PRC – Foreign equity joint venture	RMB375,000,000	–	80%	Property development and investment
Sinolink Shanghai Investment Ltd.	BVI	US$1	100%	–	Investment holding
Sinolink Worldwide (HK) Company Limited 香港百仕達有限公司	Hong Kong	HK$10,000,000	–	100%	Investment holding
Smart Orient Investments Limited	BVI	US$1	100%	–	Investment holding

49. 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 Directly	Indirectly	Principal activities
Gas fuel business division					
Benxi Panva Gas Co., Ltd. 本溪百江燃氣有限公司	PRC – Limited liability company	RMB97,824,900	–	36.24% *(Note 1)*	Provision of natural gas and related services and gas pipeline construction
Cangxi Panva Gas Co., Ltd. 蒼溪百江燃氣有限公司	PRC – Limited liability company	RMB8,000,000	–	45.30% *(Note 1)*	Provision of natural gas and related services and gas pipeline construction
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	–	27.18% *(Note 1)*	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	–	27.18% *(Note 1)*	Wholesaling and retailing of LP Gas
China Overlink Holdings Co., Limited	BVI	US$1	–	45.30% *(Note 1)*	Investment holding
China Pan River Group Ltd. 中國百江集團有限公司	BVI	US$12,821	–	45.30% *(Note 1)*	Investment holding

49. 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 Directly	Indirectly	Principal activities
Gas fuel business division *(Continued)*					
Dayi Panva Gas Co., Ltd. 大邑百江燃氣有限公司	PRC – Limited liability company	RMB3,300,000	–	45.30% *(Note 1)*	Provision of natural gas and related services and gas pipeline construction
Jianyang Panva Gas Co., Ltd. 簡陽百江燃氣有限公司	PRC – Limited liability company	RMB1,990,000	–	45.30% *(Note 1)*	Provision of natural gas 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	–	23.10% *(Note 1)*	Provision of LPG Gas, natural gas and related services and gas pipeline construction
Le Zhi Panva Gas Co., Ltd. 樂至百江燃氣有限公司	PRC – Limited liability company	RMB6,960,000	–	45.30% *(Note 1)*	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	US$6,000,000	–	24.92% *(Note 1)*	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	–	45.30% *(Note 1)*	Provision of LP Gas and related services and gas pipeline construction

49. 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 Directly	Indirectly	Principal activities
Gas fuel business division *(Continued)*					
Pan River Enterprises (Changde) Co., Ltd. 常德百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB6,000,000	–	38.51% *(Note 1)*	Wholesaling and retailing of LP Gas
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	–	38.05% *(Note 1)*	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	–	24.92% *(Note 1)*	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	–	27.18% *(Note 1)*	Wholesaling and retailing of LP Gas
Pan River Gas (China Southwest) Co., Ltd. 百江西南燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB57,500,000	–	22.70% *(Note 1)*	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	–	22.70% *(Note 1)*	Wholesaling and retailing of LP Gas

49. 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 Directly	Indirectly	Principal activities
Gas fuel business division *(Continued)*					
Panriver Investments Company Limited 百江投資有限公司	PRC – Limited liability company	US$30,000,000	–	45.30% *(Note 1)*	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	–	27.18% *(Note 1)*	Provision of LP Gas and related services and gas pipeline construction
Panva Gas Holdings Limited 百江燃氣控股有限公司	Cayman Islands	HK$94,225,089	–	45.30% *(Note 1)*	Investment holding
Panva Gas (Yunnan) Co., Ltd. 雲南百江燃氣有限公司	PRC– Limited liability company	RMB58,840,000	–	12.92% *(Note 1)*	Wholesaling and retailing of LP Gas
Pengshan Panva Gas Co., Ltd. 彭山百江燃氣有限公司	PRC– Sino-foreign equity joint venture	RMB58,840,000	–	31.71% *(Note 1)*	Provision of natural gas and related services and gas pipeline construction
Pengxi Panva Gas Co., Ltd. 蓬溪百江燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB3,590,000	–	40.77% *(Note 1)*	Provision of natural gas and related services and gas pipeline construction

49. 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 Directly	Indirectly	Principal activities
Gas fuel business division *(Continued)*					
Pingchang Panva Gas Co., Ltd. 平昌百江燃氣有限公司	PRC- Limited liability company	RMB4,900,000	-	40.77% *(Note 1)*	Provision of natural gas and related services and gas pipeline construction
Sichuan Ziyang Hengyuan Compressed Natural Gas Co., Ltd. 四川資陽恒源壓縮天然氣有限公司	PRC- Limited liability company	RMB800,000	-	30.17% *(Note 1)*	Provision of compressed natural gas petroleum and petroleum products to automobile
Singkong Investments Limited 盛港投資有限公司	Hong Kong	HK$10,000	-	45.30% *(Note 1)*	Investment holding
Sinolink LPG Investment Limited	BVI	US$1	-	45.30% *(Note 1)*	Investment holding
Sinolink Power Investment Limited	BVI	US$1	-	45.30% *(Note 1)*	Investment holding
Weiyuan Panva Gas Co., Ltd. 威遠百江燃氣有限公司	PRC- Limited liability company	RMB5,000,000	-	45.07% *(Note 1)*	Provision of natural gas and related services and gas pipeline construction

49. 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 Directly	Indirectly	Principal activities
Gas fuel business division *(Continued)*					
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	-	27.18% *(Note 1)*	Wholesaling and retailing of LP Gas
Yangzhou YPC & Panva Gas Co., Ltd. 揚州揚子石化百江燃氣有限公司	PRC - Limited liability company	RMB10,000,000	-	12.46% *(Note 1)*	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	-	27.18% *(Note 1)*	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	-	22.65% *(Note 1)*	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	-	40.77% *(Note 1)*	Provision of natural gas and related services and gas pipeline construction

49. 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 Directly	Indirectly	Principal activities
Gas fuel business division *(Continued)*					
Zhongjiang Panva Gas Co., Ltd. 中江百江燃氣有限公司	PRC- Limited liability company	RMB8,000,000	-	45.30% *(Note 1)*	Provision of natural gas and related services and gas pipeline construction
Zhongjiang Pingan Petroleum and Gas Limited Liability Company 中江縣平安氣油有限責任有限公司	PRC- Limited liability company	RMB3,000,000	-	24.92% *(Note 1)*	Provision of compressed natural gas to automobile
Ziyang Panva Gas Co., Ltd. 資陽百江燃氣有限公司	PRC- Limited liability company	RMB18,890,000	-	40.77% *(Note 1)*	Provision of natural gas and related services and gas pipeline construction
Electricity supplies division					
Ace Energy Holdings Limited	BVI	US$1	-	74.79% *(Note 1)*	Investment holding
Beijing Zhonglian Far East Engineering & Project Management Consulting Services Co., Ltd. 北京中聯遠東工程管理咨詢有限公司	PRC- Sino-foreign equity joint venture	RMB10,000,000	-	52.35%	Management services, technical consultant

49. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Electricity supplies division *(Continued)*					
Enerchina Holdings Limited 威華達控股有限公司	Bermuda	HK$22,909,339	70.16%	4.63%	Investment holding
Enerchina Investments Limited	BVI	US$1	–	74.79%	Investment holding
Enerchina Oil and Petrochemical Company Limited	BVI	HK$2	–	74.79%	Procurement of fuel oil
Enerchina Resources Limited	Hong Kong	HK$2	–	74.79%	Provision of management services
Hanka Limited	Hong Kong	HK$2	–	74.79%	Holding of club membership
Kenson Investment Limited	BVI	US$1	–	74.79%	Investment holding
Rado International Limited	BVI	US$1	–	74.79%	Investment holding
Roxy Link Limited	BVI	HK$2	–	74.79%	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	–	74.79%	Electricity supplies

49. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid up share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Electricity supplies division *(Continued)*					
Sinolink Electric Power Company Limited 百仕達電力有限公司	Hong Kong	HK$2 *(Note 2)*	–	74.79%	Investment holding
Sinolink Industrial Limited	BVI	US$50,001	–	74.79%	Investment holding
Supreme All Investments Limited	BVI	US$1	–	74.79%	Investment holding

Notes:

(1) As the Company controls the composition of the board of directors of these companies, these companies are treated as subsidiaries of the Company.

(2) 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 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 2005 or at any time during the year except for Panva Gas which has issued convertible bonds and guaranteed senior notes and the details have been disclosed in note 35 to the financial statements.