Notes to the Consolidated Financial Statements

For the year ended March 31, 2007

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office and principal place of business are disclosed in the section headed "Corporate Information" of the Group's annual report.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out note 51.

The consolidated financial statements are presented in Hong Kong dollars and the functional currency of the Company and its subsidiaries is Renminbi ("RMB"). As the Company is listed on Hong Kong, the directors consider that it is appropriate to present the consolidated financial statements in Hong Kong dollars.

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

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are either effective for accounting periods beginning on or after December 1, 2005, January 1, 2006 and March 1, 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKAS 1 (Amendment)	Capital disclosures[1]
HKAS 23 (Revised)	Borrowing costs[2]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating segments[2]
HK(IFRIC)-INT 8	Scope of HKFRS 2[3]
HK(IFRIC)-INT 9	Reassessment of embedded derivatives[4]
HK(IFRIC)-INT 10	Interim financial reporting and impairment[5]
HK(IFRIC)-INT 11	HKFRS 2 – Group and treasury share transactions[6]
HK(IFRIC)-INT 12	Service concession arrangements[7]

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

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

Business combinations

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Capitalised goodwill arising on acquisitions prior to April 1, 2004

Goodwill arising on an acquisition of a subsidiary or a jointly controlled entity for which the agreement date is before April 1, 2004 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 subsidiary or jointly controlled entity at the date of acquisition.

For previously capitalised goodwill arising on acquisitions before April 1, 2004, the Group has discontinued amortisation from April 1, 2004 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.

Capitalised goodwill arising on acquisitions on or after April 1, 2004

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary, associate or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

On acquisition of additional interest in subsidiaries, the excess of the fair value of the consideration over the carrying values of the underlying assets and liabilities attributable to the additional interest in subsidiaries acquired by the Group are recognized as goodwill.

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

Impairment testing on capitalised goodwill

For the purpose 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 acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in a subsequent periods.

Interests in associates

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in associates *(Continued)*

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

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

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

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

Investments in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (see above).

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

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

Sales of petroleum, natural gas and gas appliances are recognised when goods are delivered and title has passed.

Rental income under operating leases is recognised on a straight-line basis over the terms of the relevant leases.

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 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 subsequent accumulated depreciation and accumulated impairment losses.

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

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

Construction in progress

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Leasehold land held for undetermined future use is regarded as held for capital appreciation purpose and classified as an investment property, and carried at fair value. Changes in fair value of the leasehold land are recognised directly in profit or loss for the period in which changes take place.

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.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses below).

Impairment

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses for tangible and intangible assets below).

Construction contracts

Where the outcome of a construction contract can be estimated 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, as measured by the proportion that costs incurred to date to estimated total costs for the contract.

Where the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as expense in the period in which they are incurred.

When it is probable that total contract costs will exceed contract revenue, the expected loss is recognised as an expense immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts *(Continued)*

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the consolidated balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated balance sheet under trade and other receivables.

Inventories

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

Impairment losses 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 an expense immediately.

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

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 lease is recognised in the consolidated 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 reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

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

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group are translated into the presentation currency of the Group (i.e. Hong Kong dollar) 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.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and other defined contribution schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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 year when the liability is settled or the asset realised. Deferred tax is charged or credited to the profit and 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction on production of qualifying assets, are capitalised as part of the cost of these 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.

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 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 trade 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 represent financial assets held for trading.

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as (a) loan and receivable, (b) held to maturity investments or (c) financial assets at fair value through profit or loss. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities

Financial liabilities including trade and other payables, amounts due to customers for contract work, amounts due to minority shareholders of subsidiaries, bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds contain liability component and conversion/redemption option derivatives

Convertible bonds issued by the Group that contain liability and conversion/redemption option derivatives components are classified separately into respective items on initial recognition. Conversion/redemption option derivatives will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion/redemption option derivative. At the date of issue, both the liability and conversion/redemption option components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion/redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and conversion/redemption option components in proportion to the allocation of the proceeds. Transaction costs relating to the conversion/redemption option derivatives is charged to profit and loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Equity instruments

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

Derivatives financial instruments

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are separated from the relevant host contracts (the liability component) 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 combined contract is treated as held-for-trading.

Derecognition

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

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

Equity settled share-based payment transactions

Share options granted to employees of the Company

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

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to 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 after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earning.

Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs. Grants related to depreciable assets are presented as a deduction from the carrying amount of the relevant asset and are released to income over the useful lives of the assets. Grants related to expense items are recognised in the same period as those expenses are charged in the consolidated income statement and are reported separately as “other income”.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet dates, 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.

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 present value. When the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amount of goodwill at March 31, 2007 was HK$301,567,000 (2006: HK$275,375,000) with no impairment loss recognised. Details of the value in use calculation are set out in note 21.

Estimated allowance of trade and other receivables

The Group makes allowance of trade and other receivables based on an assessment of the recoverability of receivables. Allowance is applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of allowance requires the use of judgment and estimates. Where the expectation on the recoverability of trade and other receivables is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed.

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

Revenue recognition of gas connection contract

Revenue from gas connection contracts is recognised on the percentage of completion method, measured by reference to the proportion of the contract costs incurred for the work performed to date over the estimated total costs. Accordingly, any changes to the estimated total cost may have material impact on the contract revenue recognised in each accounting period over the contract term.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimates, such differences from the original estimates will impact the depreciation charges in the year in which the estimates change.

Income taxes

As at March 31, 2007, the Group has unused tax losses of HK$326,241,000 available for offset against future profits. No deferred tax asset in relation to unused tax losses has been recognised in the Group's balance sheet due to uncertainty of future profit streams. In cases where there are future profits generated to utilise the tax losses, a material deferred tax assets may arise, which would be recognised in the income statement for the period in which such future profits are recorded.

Impairment of intangible assets

At the balance sheet date, management reconsidered the recoverability of its intangible assets arising from the acquisition of subsidiaries, in which the carrying amount at March 31, 2007 was HK$83,006,000 (2006: nil). The business of the related subsidiaries continues to progress in a very satisfactory manner. Detailed sensitivity analysis has been carried out and management is confident that the carrying amount of the asset will be recovered in full. This situation will be closely monitored. Adjustment will be made in future periods if future market activity indicates that adjustments for impairment are appropriate.

5. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's major financial instruments include loan receivable, amount due from/to customers for contract work, trade and other receivables, trade and other payables, amounts due from/to minority shareholders of subsidiaries, bank and other borrowings, convertible bonds and bank balances. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies applied by the Group on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group collects most of its revenue in RMB and most of the expenditures as well as capital expenditures are also denominated in RMB. 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 Hong Kong dollars and United States dollars ("USD") may have positive or negative impact on the results of operations of the Group.

5. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk *(Continued)*

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

Interest rate risks

The Group does not have any specific interest rate policy except that the Group would regularly review the market interest rates to capture potential opportunities to reduce the cost of borrowings. Accordingly, the Group enters into interest rate swap arrangement to hedge the interest rate risks as appropriate.

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank and other borrowings and the convertible bonds issued by the Group (see notes 33 and 37 for details of these borrowings and convertible bonds respectively). In relation to the fixed-rate other borrowings, the Group entered into interest rate swaps to manage its exposures to changes in fair values of the borrowings. The critical terms of these interest rate swaps are similar to those of hedged notes. These interest rate swaps do not qualify for hedge accounting. The changes in fair value of the interest rate swaps are recognised in the profit and loss as they arise.

Cash flow interest rate risk

The Group's cash flow interest rate risk primarily relates to variable-rate bank and other borrowings (see note 33 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Price risk

The Group's available-for-sale investments and held-for-trading investments are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Credit risk

As at March 31, 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counter parties or debtors in relation to each class of recognised financial assets is the carrying amounts 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 half-year end date and 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 Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are reputational banks in the PRC and banks with high credit-ratings assigned by international credit-rating agencies.

5. FINANCIAL INSTRUMENTS *(Continued)*

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

- the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, the fair value of a non-optional derivative is estimated using discounted cash flow analysis and the applicable yield curve. For an option-based derivative, the fair value is estimated using option pricing model.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

6. REVENUE

Revenue represents, the net amounts received and receivable for sales of piped gas, gas connection services, properties rental and dividend income by the Group for the year and is analysed as follows:

	2007 HK$'000	2006 HK$'000
Gas connection fees	387,243	325,632
Sales of piped gas	750,101	288,115
Sales of goods	97,590	15,218
Rental income	936	1,070
Dividend income	599	487
	1,236,469	630,522

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into four operating divisions – property investment, financial and securities investment, gas connection and sales of piped gas. These principal operating activities are the basis on which the Group reports its primary segment information.

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

Segment information about these businesses is presented below:

2007

	Property investment HK$'000	Financial and securities investment HK$'000	Gas connection HK$'000	Sales of piped gas HK$'000	Others HK$'000	Consolidated HK$'000
REVENUE	936	599	387,243	750,101	97,590	1,236,469
SEGMENT RESULT	5,586	34,045	166,055	114,501	1,526	321,713
Unallocated corporate revenue						74,772
Unallocated corporate expenses						(67,955)
Finance costs						(107,796)
Change in fair value of derivative financial instruments						(4,307)
Discount on acquisition of associates, a jointly controlled entity and businesses	–	–	–	17,185	–	17,185
Share of results of associates	–	–	–	5,742	–	5,742
Profit before taxation						239,354
Taxation						(13,791)
Profit for the year						225,563
ASSETS						
Segment assets	49,100	107,050	805,492	4,646,770	8,318	5,616,730
Interest in associates	–	–	–	75,278	–	75,278
Unallocated corporate assets						1,601,394
Consolidated total assets						7,293,402
LIABILITIES						
Segment liabilities	210	–	218,339	621,404	3,880	843,833
Unallocated corporate liabilities						3,768,349
Consolidated total liabilities						4,612,182
OTHER INFORMATION						
Additions to goodwill	–	–	–	24,590	–	24,590
Additions to intangible assets	–	–	–	85,134	–	85,134
Additions to property, plant and equipment	–	–	–	1,223,976	–	1,223,976
Additions to property, plant and equipment (unallocated)						38,317
						1,372,017
Amortisation of intangible assets	–	–	–	2,128	–	2,128
Release of prepaid lease payment	–	–	–	1,848	–	1,848
Release of prepaid lease payment (unallocated)	–	–	–	–	–	343
						4,319
Depreciation of property, plant and equipment	–	–	–	92,793	–	92,793
Depreciation of property, plant and equipment (unallocated)						3,976
						96,769

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Business segments *(Continued)*

2006

	Property investment HK$'000	Financial and securities investment HK$'000	Gas connection HK$'000	Sales of piped gas HK$'000	Others HK$'000	Consolidated HK$'000
REVENUE	1,070	487	325,632	288,115	15,218	630,522
SEGMENT RESULT	7,101	460	186,372	22,117	(7,708)	208,342
Unallocated corporate revenue						35,752
Unallocated corporate expenses						(81,204)
Finance costs						(44,207)
Change in fair value of derivative financial instruments						25,669
Gain on disposal of subsidiaries	–	–	–	443	–	443
Discount on acquisition of associates, a jointly controlled entity and businesses	–	–	393	37,500	–	37,893
Share of results of associates	–	–	–	(138)	–	(138)
Profit before taxation						182,550
Taxation						(2,482)
Profit for the year						180,068
ASSETS						
Segment assets	44,450	27,989	527,919	2,636,934	7,549	3,244,841
Interest in associates	–	–	–	613	–	613
Unallocated corporate assets						1,848,434
Consolidated total assets						5,093,888
LIABILITIES						
Segment liabilities	149	–	176,476	191,048	6,976	374,649
Unallocated corporate liabilities						2,598,473
Consolidated total liabilities						2,973,122
OTHER INFORMATION						
Additions to goodwill	–	–	–	65,981	–	65,981
Additions to property, plant and equipment	–	–	–	881,830	–	881,830
Additions to property, plant and equipment (unallocated)						21,256
						969,067
Depreciation of property, plant and equipment	–	–	–	42,700	–	42,700
Depreciation of property, plant and equipment (unallocated)						4,168
						46,868

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

Geographical segments

The Group's operations are located in Hong Kong and the PRC. The Group's property investment, financial and securities investment divisions are located in Hong Kong. Sales of piped gas and gas pipeline construction are carried out in the PRC. Accordingly, no analysis of the Group's sales by geographical market, the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area is presented.

8. OTHER INCOME

	2007 HK$'000	2006 HK$'000
Interest income	40,530	21,553
Subsidies of PRC governmental authorities		
Compensation of loss incurred in liquefied gas/coal gas operation (note a)	2,127	3,051
Subsidy for replacement of pipelines for natural gas supply (note b)	20,827	–
Tax refund (note c)	2,673	771
Sundry income	17,171	9,850
Profit on sales of industrial materials	2,563	1,651
Repair and maintenance services fee	1,898	201
Foreign exchange gain	1,662	2,503
Adjustment in liability component of convertible bonds (note 37)	10,642	–
	100,093	39,580

Notes:

(a) Pursuant to the supplementary agreement dated August 14, 2006 signed with 揚中市建設局 ("建設局") in the PRC, 揚中中燃城市發展有限公司, a subsidiary of the Company, is entitled to receive a subsidy from 建設局 to compensate for its operating loss arising from the liquefied gas operation for the year ended March 31, 2007.

For the year ended March 31, 2006, pursuant to notice of compensation dated August 26, 2003 issued by the relevant government authority in the PRC, 淮南中燃城市發展有限公司, a subsidiary of the Company, is entitled to receive compensation from the government authority to subsidise its coal gas operation for three years after its establishment.

(b) During the year, 蕪湖中燃城市燃氣發展有限公司("蕪湖中燃"), a subsidiary of the Company received an one–off subsidy of HK$20,827,000 from 蕪湖市天然氣開發利用領導小組辦公室 for its costs incurred in transforming all the coal gas users to use natural gas in Wuhu city. All the required work of the transformation has been completed by蕪湖中燃.

(c) The PRC government authorities have granted a tax incentive to certain subsidiaries in PRC by way of tax refund for natural gas business operated in the PRC.

9. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest on:		
Bank loans and other borrowings wholly repayable within five years	**110,844**	60,443
Bank loans and other borrowings not wholly repayable within five years	**45,506**	35,126
Obligations under a finance lease	**1**	10
Convertible note	**–**	145
Convertible bonds (note 37)	**14,225**	10,436
	170,576	106,160
Less: Net interest income on interest rate swaps	**(9,215)**	(254)
Interest capitalised to construction in progress	**(53,565)**	(61,699)
	107,796	44,207

10. DISCOUNTS ON ACQUISITION OF ASSOCIATES, A JOINTLY CONTROLLED ENTITY AND BUSINESSES

	2007 HK$'000	2006 HK$'000
Discount on acquisition of associates (note 18)	**5,568**	–
Discount on acquisition of a jointly controlled entity (note 40)	**11,617**	393
Discount on acquisition of business (note 41)	**–**	37,500
	17,185	37,893

11. TAXATION

The amount represents PRC income tax for both years.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit for both years.

Taxation arising in other jurisdictions in the PRC is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group are exempted from PRC enterprise income tax for the first two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC enterprise income tax for the following three years. The reduced tax rate for the relief period is ranging from 7.5% to 16.5%. The charge of PRC enterprise income tax for the years has been provided for after taking these tax incentives into account.

11. TAXATION *(Continued)*

The taxation for the year can be reconciled to the (loss) profit before taxation per the income statement as follows:

	Hong Kong		PRC		Total	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
(Loss) profit before taxation	**(36,256)**	(2,368)	**275,610**	184,918	**239,354**	182,550
Tax at the domestic income tax rate	**(6,345)**	(414)	**90,951**	61,023	**84,606**	60,609
Tax effect of share of profit of associates	**–**	–	**(1,896)**	–	**(1,896)**	–
Tax effect of expenses not deductible for tax purpose	**5,513**	3,479	**3,451**	3,832	**8,964**	7,311
Tax effect of income not taxable for tax purpose	**(8,005)**	(13,916)	**(8,356)**	(5,010)	**(16,361)**	(18,926)
Tax effect of estimated tax losses not recognised	**8,837**	10,851	**15,527**	12,738	**24,364**	23,589
Effect of tax exemption granted to certain PRC subsidiaries	**–**	–	**(85,886)**	(70,101)	**(85,886)**	(70,101)
Taxation for the year	**–**	–	**13,791**	2,482	**13,791**	2,482

Note: The applicable tax rate for Hong Kong and the PRC is 17.5% and 33% (2006: 17.5% and 33%) respectively.

12. PROFIT FOR THE YEAR

	2007 HK$'000	2006 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2,800**	2,000
Depreciation of property, plant and equipment on:		
Owned assets	**96,769**	46,752
Asset held under a finance lease	**–**	116
	96,769	46,868
Release of prepaid lease payments	**2,191**	1,113
Amortisation of intangible assets included in administrative expenses	**2,128**	–
Minimum lease payments for operating leases in respect of:		
– rented premises	**8,429**	4,699
– equipment	**–**	128
Gain on disposal of property, plant and equipment	**(20)**	–
Share of tax of associates (included in share of results of associates)	**1,438**	–
Staff costs:		
Directors' emoluments (see below)	**3,474**	6,729
Salaries and allowances of other staff	**99,313**	63,927
Contributions to retirement benefit scheme contributions of other staff	**15,445**	5,430
Less: amount capitalised in construction in progress	**(4,921)**	(4,885)
	113,311	71,201
Rental income from investment properties less outgoings of HK42,000 (2006: HK$42,000)	**(894)**	(1,028)

12. PROFIT FOR THE YEAR *(Continued)*

Emoluments of directors and employees

Directors

The emoluments paid or payable to each of the directors were as follow:

2007

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Share-based payments HK$'000	Contributions to retirement benefits scheme HK$'000	Total emoluments HK$'000
Executive directors					
Mr. Li Xiao Yun	370	–	138	–	508
Mr. Xu Ying	–	1,200	–	12	1,212
Mr. Liu Ming Hui	–	–	–	–	–
Mr. Ma Jin Long	–	180	–	–	180
Mr. Zhu Wei Wei	–	520	–	12	532
Non-executive directors					
Mr. Feng Zhuo Zhi	120	–	–	–	120
Mr. Suresh Raghavanachari	106	–	–	–	106
Mr. Harrison Blacker	122	–	–	–	122
Mr. R.K. Goel	40	–	–	–	40
Mr. Jo Yamagata	54	–	–	–	54
Independent non-executive directors					
Mr. Zhao Yu Hua	200	–	–	–	200
Dr. Mao Er Wan	200	–	–	–	200
Ms. Wong Sin Yue, Cynthia	200	–	–	–	200
	1,412	1,900	138	24	3,474

12. PROFIT FOR THE YEAR *(Continued)*

Emoluments of directors and employees *(Continued)*

Directors *(Continued)*

2006

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Share-based payments HK$'000	Contributions to retirement benefits scheme HK$'000	Total emoluments HK$'000
Executive directors					
Mr. Li Xiao Yun	–	–	91	–	91
Mr. Xu Ying	–	–	2,261	12	2,273
Mr. Liu Ming Hui	–	–	3,265	12	3,277
Mr. Ma Jin Long	60	–	–	–	60
Mr. Zhu Wei Wei	–	520	–	12	532
Non-executive directors					
Mr. Feng Zhuo Zhi	103	–	–	–	103
Mr. Suresh Raghavanachari	–	–	–	–	–
Mr. Harrison Blacker	–	–	–	–	–
Mr. Wu Bang Jie	33	–	–	–	33
Independent non-executive directors					
Mr. Zhao Yu Hua	120	–	–	–	120
Dr. Mao Er Wan	120	–	–	–	120
Ms. Wong Sin Yue, Cynthia	120	–	–	–	120
	556	520	5,617	36	6,729

During both years, 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. During the year ended March 31, 2007, Messrs. Xu Ying and Liu Ming Hui waived emoluments of HK$6,000,000 (2006: HK$7,200,000) and HK$7,200,000 (2006: HK$7,200,000) respectively.

12. PROFIT FOR THE YEAR *(Continued)*

Emoluments of directors and employees *(Continued)*

Employees

Of the five individuals with the highest emoluments in the Group, one (2006: two) was director of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining four (2006: three) individuals were as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other benefits	8,661	7,780
Retirement benefit scheme contributions	107	66
	8,768	7,846

Their emoluments were within the following bands:

	2007 No. of employee	2006 No. of employee
Nil to HK$1,000,000	2	1
HK$3,000,001 to HK$3,500,000	1	1
HK$3,500,001 to HK$4,000,000	1	1

13. DIVIDENDS

	2007 HK$'000	2006 HK$'000
Final dividend paid in respect of 2006 of HK$0.01 (2005: nil) per share	29,237	–

The final dividend in respect of 2007 of HK$0.012 (2006: HK$0.01) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

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

	2007 HK$'000	2006 HK$'000
Earnings for the purpose of basic earnings per share, being profit for the year attributable to equity holders of the Company	190,103	156,736
Adjustment for the effect of dilutive potential ordinary shares:		
Change in fair value of stock subscription option	(2,100)	–
Change in fair value of embedded derivative of convertible bonds	(2,560)	–
Adjustment in liability component of convertible bonds	(10,642)	–
Interest on convertible bonds	14,225	–
Earnings for the purpose of diluted earnings per share	189,026	156,736

	2007 '000	2006 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,995,323	2,548,931
Adjustment for the effect of dilutive potential ordinary shares:		
Share options (note a)	228,419	234,148
Stock subscription option (note b)	10,740	2,407
Convertible bonds (note b)	179,087	N/A
Warrants	–	42,870
Weighted average number of ordinary shares for the purpose of diluted earnings per share	3,413,569	2,828,356

Notes:

(a) Weighted average number of ordinary shares for the purpose of the computation of diluted earnings per share has been accounted for the effect of the options with a dilutive effect and the effect of contingent issuable shares.

(b) Weighted average number of ordinary shares for the purpose of computation of diluted earnings per share has been accounted for the effect of the potential issuance of shares upon exercise of the stock subscription option and conversion of convertible bonds.

The computation of diluted earnings per share for the year ended March 31, 2006, did not assume the conversion of the Company's outstanding convertible bonds, since their conversion would increase the earnings per share, after taking into account of the effect of interest and change in fair value of conversion/redemption option derivatives components of the convertible bonds.

15. INVESTMENT PROPERTIES

	HK$'000
At April 1, 2005	24,400
Transferred from property, plant and equipment and prepaid lease payments (note a)	13,977
Change in fair value (note b)	6,073
At March 31, 2006	44,450
Change in fair value (note b)	4,650
At March 31, 2007	49,100

Notes:

(a) Buildings and prepaid lease payments having an aggregate carrying value of HK$12,376,000 were revalued on April 1, 2005 by LCH (Asia-Pacific) Surveyors Limited. The resulting surplus of HK$1,601,000 was credited to properties revaluation reserve.

(b) The fair value of the Group's investment properties at March 31, 2007 and 2006 have been arrived at on the basis of a valuation carried out at these dates by LCH (Asia-Pacific) Surveyors Limited. The resulting surplus of HK$4,650,000 (2006: HK$6,073,000) was credited to consolidated income statement.

LCH (Asia-Pacific) Surveyors Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties, was arrived at by reference to comparable market transactions and rental yield for similar properties.

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.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Pipelines HK$'000	Construction in progress HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST							
At April 1, 2005	34,116	103,941	756,859	45,008	8,596	23,512	972,032
Additions	6,852	51,288	417,133	21,691	2,907	17,311	517,182
Acquired on acquisition of a jointly controlled entity	17,381	73,355	62,259	46,008	–	4,416	203,419
Acquired on acquisition of businesses	51,074	92,222	12,173	23,515	1,233	2,268	182,485
Disposal of a subsidiary	–	(287)	(5,434)	(10)	(53)	(30)	(5,814)
Reclassification	–	223,332	(226,558)	3,226	–	–	–
Transferred to investment properties	(4,417)	–	–	–	–	–	(4,417)
Exchange realignment	180	999	7,277	433	50	207	9,146
At March 31, 2006	105,186	544,850	1,023,709	139,871	12,733	47,684	1,874,033
Additions	39,678	6,691	738,647	32,210	2,395	29,652	849,273
Acquired on acquisition of a jointly controlled entity	39,555	164,161	82,219	2,964	355	5,314	294,568
Acquired on acquisition of businesses	17,091	66,558	1,736	27,539	278	2,155	115,357
Acquired on acquisition of subsidiaries	–	–	3,095	–	–	–	3,095
Disposals	(2,191)	–	–	(3,156)	(471)	(2,309)	(8,127)
Reclassification	57,303	793,262	(989,958)	139,393	–	–	–
Exchange realignment	6,942	33,358	62,676	10,250	754	2,833	116,813
At March 31, 2007	263,564	1,608,880	922,124	349,071	16,044	85,329	3,245,012
DEPRECIATION AND IMPAIRMENT							
At April 1, 2005	3,224	2,549	–	5,462	1,847	4,286	17,368
Provided for the year	5,155	23,396	–	10,261	1,557	6,499	46,868
Eliminated on transfer to investment properties	(167)	–	–	–	–	–	(167)
Eliminated on disposal of a subsidiary	–	–	–	(1)	(10)	(3)	(14)
Exchange realignment	8	25	–	53	13	35	134
At March 31, 2006	8,220	25,970	–	15,775	3,407	10,817	64,189
Provided for the year	7,299	39,480	–	34,951	2,389	12,650	96,769
Eliminated on disposals	(244)	–	–	(1,104)	(79)	(1,462)	(2,889)
Exchange realignment	338	1,590	–	966	188	561	3,643
At March 31, 2007	15,613	67,040	–	50,588	5,905	22,566	161,712
CARRYING VALUES							
At March 31, 2007	247,951	1,541,840	922,124	298,483	10,139	62,763	3,083,300
At March 31, 2006	96,966	518,880	1,023,709	124,096	9,326	36,867	1,809,844

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

The carrying value of buildings of the Group shown above comprises:

	2007 HK$'000	2006 HK$'000
In Hong Kong		
Long lease	**6,522**	6,889
In PRC		
Long lease	**38,890**	–
Medium-term lease	**202,539**	90,077
	247,951	96,966

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the remaining terms of the leases or 50 years
Pipelines	Over the shorter of 30 years or the operation period of the relevant company
Machinery and equipment	10%
Furniture and fixtures	15% – 50%
Motor vehicles	25%

At March 31, 2007, interest capitalised in construction in progress amounted to HK$84,427,000 (2006: HK$113,384,000).

The carrying value of property, plant and equipment includes an amount of nil (2006: HK$165,000) in respect of an asset held under a finance lease.

At March 31, 2007, the Group is in the process of obtaining title deeds from relevant government authorities for its buildings in the PRC amounting to HK$39,222,000 (2006: nil). In the opinion of the directors, the Group is not required to incur additional cost in obtaining the title deeds for its buildings in the PRC.

At March 31, 2007, the directors considered that the leasehold land element of the buildings with the carrying value of HK$19,145,000 (2006: HK$1,460,000) cannot be separately identified.

17. PREPAID LEASE PAYMENTS

	2007 HK$'000	2006 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong		
Long lease	**21,032**	21,220
Leasehold land in the PRC		
Long lease	**102,832**	–
Medium term lease	**167,467**	75,140
	291,331	96,360
Analysed for reporting purposes as:		
Non-current portion	**286,102**	94,434
Current portion	**5,229**	1,926
	291,331	96,360

The leasehold land and land use rights are charged to income statement on a straight-line basis over the term of the leases.

18. INTERESTS IN ASSOCIATES

	2007 HK$'000	2006 HK$'000
Cost of investments in associates – unlisted	**65,402**	751
Share of pre-acquisition dividend	**(1,296)**	–
Share of post-acquisition profit (loss) (net of dividend received)	**5,604**	(138)
Discount on acquisition of associates	**5,568**	–
	75,278	613

18. INTERESTS IN ASSOCIATES *(Continued)*

As at March 31, 2007, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group %	Principal activities
北京宏達斯特燃氣技術開發公司	Sino-foreign equity joint venture	PRC	PRC	Registered	22.10	Trading of natural gas
北京華昊恒通有限責任公司	Sino-foreign equity joint venture	PRC	PRC	Registered	19.60 (note)	Trading of natural gas
重慶市川東燃氣工程建設有限公司 ("川東燃氣")	Sino-foreign equity joint venture	PRC	PRC	Registered	44.00	Trading of natural gas and gas pipeline construction
重慶鼎發實業股份有限公司 ("重慶鼎發")	Sino-foreign equity joint venture	PRC	PRC	Registered	38.69	Exploration, collection transportation, purification and sales of natural gas

Note: The Group is able to exercise significant influence over this company because it has the power to appoint two out of the six directors of that company.

During the year, a discount on acquisition of HK$5,568,000 arising on the acquisition of 川東燃氣 and 重慶鼎發 has been included as income in the determination of the Group's share of profit of associates.

18. INTERESTS IN ASSOCIATES *(Continued)*

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

	2007 HK$'000	2006 HK$'000
Total assets	**431,629**	14,689
Total liabilities	**(238,958)**	(12,488)
Net assets	**192,671**	2,201
The Group's share of associates' net assets	**75,278**	613
Revenue	**155,174**	23,194
Profit (loss) for the year	**16,916**	(1,439)
The Group's share of results of associates for the year	**5,742**	(138)

19. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

At March 31, 2007, the Group had interests in the following significant jointly controlled entities:

Name of entity	Form of business structure	Place of registration	Principal place of operation	Class of capital	Proportion of nominal value of registered capital held by the Group %	Principal activity
北京京港燃氣有限公司 Beijing Jinggang Gas Development Company Limited* ("Beijing Jinggang")	Sino-foreign equity joint venture	PRC	PRC	Registered	49.0 (note a)	Trading of natural gas and gas pipeline construction
柳州中燃城市燃氣有限公司 ("柳州中燃")	Sino-foreign equity joint venture	PRC	PRC	Registered	50.0 (note b)	Trading of natural gas and gas pipeline construction
楊州中燃城市燃氣發展有限公司 ("楊州中燃")	Sino-foreign equity joint venture	PRC	PRC	Registered	50.0 (note b)	Trading of natural gas and gas pipeline construction
呼和浩特中燃城市燃氣發展有限公司 ("呼和浩特中燃")	Sino-foreign equity joint venture	PRC	PRC	Registered	50.0 (note b)	Trading of natural gas and gas pipeline construction

* English name is for identification purposes only.

Notes:

(a) The Group holds 49% of the issued share capital of Beijing Jinggang and three out of the seven directors of Beijing Jinggang are appointed by the Group, hence the Group controls 42.9% of the voting power in general meeting. As all the decisions made in the Board of Directors meeting require at least 2/3 votes from all of the directors, Beijing Jinggang is accounted for as a jointly controlled entity.

(b) The Group holds 50% of the issued share capital of these companies and three out of the seven directors of these companies are appointed by the Group, hence the Group controls 42.9% of the voting power in general meeting. As all the decisions made in the Board of Directors meeting require at least 2/3 votes from all of the directors, these companies are accounted for as jointly controlled entities.

19. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

The summarised financial information in respect of the Group's jointly controlled entities which are accounted for using proportionate consolidation with the line-by-line reporting format is set out below:

	2007 HK$'000	2006 HK$'000
Current assets	**414,782**	219,454
Non-current assets	**722,488**	232,847
Current liabilities	**376,628**	60,938
Non-current liabilities	**152,689**	75,169
Revenue	**193,880**	44,904
Profit for the year	**30,163**	8,857

20. AVAILABLE FOR SALE INVESTMENTS

	2007 HK$'000	2006 HK$'000
Equity securities listed in Hong Kong, at fair value	**16,746**	19,386
Unlisted equity securities, at cost less impairment	**3,017**	5,217
Club debenture, at fair value	**3,386**	3,386
	23,149	27,989

Equity securities listed in Hong Kong are stated at fair value. The fair values of listed equity securities are based on quoted market price. Decrease in fair value of the listed equity securities classified as available-for-sale investments for the year ended March 31, 2007 of HK$2,640,000 (2006: HK$5,259,000) was charged to investment revaluation reserve.

Unlisted equity securities issued by private entities are measured at cost less impairment at the balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Group are of the opinion that their fair values cannot be measured reliably. During the year, impairment loss of HK$2,200,000 (2006: HK$4,400,000) was recognised, as in the opinion of the directors, the investment could not demonstrate a predicable future cash inflow to the Group.

Club debentures are stated at fair value. Fair value of the club debenture has been determined by reference to the bid prices quoted in active market.

21. GOODWILL

	HK$'000
COST	
At April 1, 2005	209,394
Arising on acquisitions of a jointly controlled entity (note 40)	65,981
At March 31, 2006	275,375
Arising on acquisition of additional interest in a subsidiary (note 39)	24,590
At March 31, 2007	299,965
CARRYING AMOUNTS	
At March 31, 2007	299,965
At March 31, 2006	275,375

The Group tests goodwill annually for impairment in the financial year in which the acquisition takes place, or more frequently if there are indications that goodwill might be impaired.

Management considers each subsidiary represents a separate cash generating unit ("CGU") for the purpose of goodwill impairment testing. At March 31, 2006, the carrying amount of goodwill mainly represents goodwill arising from the acquisition of Clever Decision Enterprises Limited, Suzhou Zhongran City Gas Development Co., Ltd., Beijing Zhongran Xiangke Oil Gas Technology Company Limited, 柳州中燃and other subsidiaries of HK$141,716,000, HK$44,802,000, HK$15,540,000, HK$65,981,000 and HK$7,336,000, respectively.

During the year, the Group acquired additional interest in a subsidiary from a minority shareholder. The Group recognised an amount of HK$24,590,000, representing 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 business, at the date of acquisition.

The recoverable amounts of the CGUs are determined based on 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 period. 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.

21. GOODWILL *(Continued)*

The Group prepares cash flows forecasts derived from the most recent financial budgets approved by management for the next five to seven years, which is the general development period for natural gas business and extrapolates cash flows for the following five to seven years based on the estimated growth rate of 3%. The financial budgets and growth rates are estimated according to the stage of each operation with reference to the development curve of the natural gas industry in the PRC region. The rates used to discount the forecast cash flows for CGUs are from 15% to 17%. In the opinion of the directors, no material impairment loss is identified as at March 31, 2007.

22. OTHER INTANGIBLE ASSETS

	Exclusive rights of natural gas operation	**Contracted customer base**	**Total**
	HK$'000	HK$'000	HK$'000
COST			
At April 1, 2005 and April 1, 2006	–	–	–
Acquired on acquisition of businesses (note 39)	70,134	15,000	85,134
At March 31, 2007	70,134	15,000	85,134
AMORTISATION			
At April 1, 2005 and April 1, 2006	–	–	–
Charge for the year	1,834	294	2,128
At March 31, 2007	1,834	294	2,128
CARRYING VALUES			
At March 31, 2007	68,300	14,706	83,006
At March 31, 2006	–	–	–

Note: The exclusive rights of natural gas operation and contracted customer base are amortised on a straight-line method over the period of 30 years and 10 years respectively.

23. DEPOSITS FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

At March 31, 2006, the amount included HK$38,173,000 which was paid to a minority shareholder of a subsidiary for acquisition of property, plant and equipment. During the year ended March 31, 2007, this deposit has been transferred to property, plant and equipment and details of this related party transaction is set out in 49(i).

24. LOAN RECEIVABLE

	2007 HK$'000	2006 HK$'000
Fixed-rate loan receivable at interest rate of 7% per annum, unsecured and repayable after 2 years but not more than 5 years	**15,000**	–

The amount is denominated in Hong Kong dollars, currency other than the financial currency of the relevant group entity

25. INVENTORIES

	2007 HK$'000	2006 HK$'000
Construction materials	**102,699**	99,384
Consumables and spare parts	**14,838**	2,218
Natural gas	**19,495**	6,422
	137,032	108,024

Cost of inventories recognised as an expense during the year is HK$601,230,000 (2006: HK$266,452,000).

26. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2007 HK$'000	2006 HK$'000
Contracts in progress at balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses	555,723	533,806
Less: progress billings	(116,892)	(80,101)
	438,831	453,705
Analysed for reporting purposes as:		
Amounts due from customers for contract work	444,552	454,914
Amounts due to customers for contract work	(5,721)	(1,209)
	438,831	453,705

At March 31, 2007 and 2006, there were no retention monies held by customers for contract work performed. At March 31, 2007, advances received from customers for contract work amounted to HK$103,451,000 (2006: HK$14,292,000) which were included in trade and other payables.

27. TRADE AND OTHER RECEIVABLES

Other than certain major customers with good repayment history which the Group allows a longer credit period or settlement by instalment basis, the Group generally allows an average credit period of 30 to 180 days to its trade customers.

The following is an aged analysis of trade receivables net of impairment losses at the reporting date:

	2007 HK$'000	2006 HK$'000
0-180 days	**240,170**	101,618
181-365 days	**64,483**	29,825
Over 365 days	**23,250**	8,770
Trade receivables	**327,903**	140,213
Deposits paid for construction materials	**44,519**	22,979
Deposits paid for purchase of natural gas	**47,833**	13,499
Advanced payments to contractors	**28,231**	26,675
Other receivables, deposits and prepayments	**216,089**	142,104
Amounts due from minority shareholders of subsidiaries	**9,012**	2,196
Amounts due from shareholders of a jointly controlled entity	**21,161**	–
Fund in securities brokers	**24,578**	–
	719,326	347,666

At March 31, 2007, the carrying value of trade receivables includes an amount of HK$164,300,000 (2006: nil) would be settled by instalment basis during the year ending March 31, 2008 of HK$114,708,000 and March 31, 2009 of HK$49,592,000 respectively.

During the year ended March 31, 2007, the Group made an allowance of HK$9,201,000 (2006: HK$11,000,000) in respect of the trade receivables.

Amounts due from minority shareholders of subsidiaries and shareholders of a jointly controlled entity are unsecured, non-interest bearing and repayable on demand.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	2007 HK$'000	2006 HK$'000
Derivative financial assets:		
Interest rate swap contracts not qualified for hedge accounting	**17,433**	21,669
Early redemption option embedded in convertible bonds (note 37)	**15,865**	5,991
	33,298	27,660
Derivative financial liabilities:		
Embedded conversion option (note 37)	**52,502**	40,609
Stock subscription rights granted to Merill Lynch International ("ML")	**5,400**	7,500
Mandatory redemption option embedded in convertible bonds (note 37)	**1,412**	1,260
	59,314	49,369

Major terms of the interest rate swap contracts are as follows:

Notional amount	**Maturity**	**Swaps**
US$30,000,000	April 18, 2008	From USD LIBOR + 1.50% to 5.05%
US$30,000,000	April 18, 2008	From USD LIBOR + 1.50% to 5.08%
US$50,000,000	February 15, 2009	From USD LIBOR + 2.35% to 5.73%

The fair values of the interest rate swaps are determined based on market prices quoted from financial institutions for equivalent instruments and the application of discounted cash flow method at the balance sheet date.

Embedded conversion option represents the fair value of the bondholders' option to convert the convertible bond issued on June 29, 2005 (as detailed in note 37) into equity of the Company, but the conversion will be settled other than by the exchange of a fixed number of the Company's own equity.

Early redemption option and mandatory redemption option represent the fair value of the Company's option to early redeem and the fair value of the redemption at the option of certain bondholders, respectively, in respect of convertible bond issued on June 29, 2005.

28. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Stock subscription rights represent the fair value of the option granted to ML to subscribe new shares of the Company. Details of such convertible bond and the subscription arrangement are set out in note 37. The fair value of the early redemption option and stock subscription option is calculated using the Black-Scholes-Merton Option Pricing Model. The inputs into the model were as follows:

	Embedded conversion option	Early redemption option	Stock subscription option
Conversion price/redemption price/exercise price	HK$1.731	HK$1.996	HK$1.128
Expected volatility (note a)	36.49%	37.74%	36.53%
Expected life (note b)	1 year	1.25 years	1.9 years
Risk free rate (note c)	3.752%	3.786%	3.823%

Notes:

(a) Expected volatility for early redemption option was determined by calculating the historical volatility of the Company's share price over 300 trading days; for embedded conversion option and stock subscription option were determined by calculating the historical volatility of the Company's share price over 250 and 460 trading days respectively.

(b) Expected life was the expected remaining life of the respective options.

(c) The risk free rate is determined by reference to the Hong Kong Government Bond Yield.

The fair value of the mandatory redemption option is determined by application of binomial method, using effective yield at 6.44% per annum and time to maturity equal to the expected remaining life of the option.

During the year, HK$4,307,000 (2006: HK$25,669,000) was recognised as a change in fair value of derivative financial instruments.

29. AMOUNT DUE FROM AN ASSOCIATE

The balance is unsecured, non-interest bearing and repayable on demand.

30. HELD-FOR-TRADING INVESTMENTS

	2007 HK$'000	2006 HK$'000
Listed securities at fair value		
– Equity securities listed in Hong Kong	45,045	–
– Equity securities listed in the PRC	12,796	–
	57,841	–

31. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank deposits bearing floating interest at effective interest of 2% to 4% per annum.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$29,417,000 (2006: nil) have been pledged to secure short-term bank loans and undrawn facilities and are therefore classified as current assets.

32. TRADE AND OTHER PAYABLES

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The following is an aged analysis of trade and other payables at the reporting date:

	2007 HK$'000	2006 HK$'000
0-90 days	109,511	128,365
91-180 days	77,326	19,412
Over 180 days	117,440	59,347
Trade payables	304,277	207,124
Other payables and accrued charges	425,142	170,349
Advance received from customers for contract work	103,451	14,292
Amounts due to minority shareholders of subsidiaries	26,529	–
	859,399	391,765

Amounts due to minority shareholders of subsidiaries are unsecured, non-interest bearing and repayable on demand.

33. BANK AND OTHER BORROWINGS

	2007 HK$'000	2006 HK$'000
Bank loans	2,626,599	1,672,706
Mortgage loan	16,668	18,798
Other loans	285,966	319,948
	2,929,233	2,011,452
Secured	1,830,337	1,264,511
Unsecured	1,098,896	746,941
	2,929,233	2,011,452

33. BANK AND OTHER BORROWINGS *(Continued)*

	2007 HK$'000	2006 HK$'000
The maturity profile of the above loans is as follows:		
On demand or within one year	**686,781**	345,662
More than one year, but not exceeding two years	**245,181**	192,217
More than two years, but not exceeding five years	**1,130,856**	906,727
More than five years	**866,415**	566,846
	2,929,233	2,011,452
Less: Amount due within one year shown under current liabilities	**(686,781)**	(345,662)
Amount due after one year	**2,242,452**	1,665,790
Borrowings comprise:		
Fixed-rate borrowings	**1,830,337**	1,462,302
Floating-rate borrowings	**1,098,896**	549,150
	2,929,233	2,011,452

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2007	2006
Effective interest rate per annum:		
Fixed-rate borrowings	**2.00% to 7.34%**	2.00% to 7.34%
Floating-rate borrowings	**5.28% to 7.67%**	4.83% to 6.02%

33. BANK AND OTHER BORROWINGS *(Continued)*

The details of the Group's borrowings which are denominated in foreign currencies are set out below:

	USD HK$'000 equivalent	JPY HK$'000 equivalent
At March 31, 2007	832,654	57,190
At March 31, 2006	459,397	44,035

34. OBLIGATIONS UNDER A FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Amounts payable under a finance lease:				
Within one year	–	66	–	64
In the second to fifth year inclusive	–	–	–	–
	–	66	–	64
Less: Future finance charges	–	(2)	–	N/A
Present value of lease obligations	–	64	–	64
Less: Amount due for settlement within one year (shown under current liabilities)			–	(64)
			–	–

34. OBLIGATIONS UNDER A FINANCE LEASE *(Continued)*

It was the Group's policy to lease certain of its property, plant and equipment under finance lease. The lease term was 3 years. For the year ended March 31, 2007, the effective borrowing rate was approximately 8% (2006: 8%) per annum. Interest rate was fixed at the contract date. The lease was on a fixed repayment basis and no arrangement had been entered into for contingent rental payments.

The Group's obligations under a finance lease were secured by the lessor's charge over the leased asset and were fully repaid during the year.

35. SHARE CAPITAL

	Ordinary shares		**Convertible preference shares**		**Total**
	No. of shares '000 at HK$0.01 each	HK$'000	No. of shares '000 at HK$1.00 each	HK$'000	HK$'000
Authorised	9,000,000	90,000	124,902	124,902	214,902
Issued and fully paid:					
At March 31, 2005	2,244,813	22,448	–	–	22,448
Issue of new ordinary shares (notes a, b, c and d)	555,000	5,550	–	–	5,550
Exercise of share options (note 48)	31,750	318	–	–	318
Exercise of warrants (note e)	90,000	900	–	–	900
At March 31, 2006	2,921,563	29,216	–	–	29,216
Issue of new ordinary shares (notes f and g)	157,001	1,570	–	–	1,570
Exercise of share options (note 48)	17,640	176	–	–	176
At March 31, 2007	3,096,204	30,962	–	–	30,962

35. SHARE CAPITAL *(Continued)*

Notes:

(a) On May 3, 2005, pursuant to the subscription agreement dated February 19, 2005, the Company allotted and issued 210,000,000 ordinary shares of HK$0.01 each in the Company at a price of HK$1.158 per share to GAIL (India) Limited, an independent investor.

(b) On October 28, 2005, the Company entered into subscription agreement with Templeton Strategic Emerging Market Fund II LDC ("TSEMF II") and Nederlandse – Maatschappij Voor Ontwikkelingslanden N.V. ("FMO"), pursuant to which TSEMF II and FMO agreed to subscribe for and the Company agreed to allot an aggregate of 133,000,000 ordinary shares at a subscription price of HK$1.16 per share.

(c) On January 19, 2006, pursuant to the subscription agreement dated November 28, 2005, the Company allotted and issued 210,000,000 ordinary shares of HK$0.01 each in the Company at price of HK$1.185 per share to Oman Oil Company S.A.O.C. ("OOC").

(d) On February 6, 2006 and February 21, 2006, pursuant to a subscription letter dated October 29, 2003, the Company allotted and issued 2,000,000 ordinary shares of HK$0.01 each in the Company at a price of HK$1.128 per share to ML. Details of the subscription letter are set out in note 37.

(e) At March 31, 2006, 90,000,000 warrants were exercised and 90,000,000 ordinary shares of HK$0.01 each in the Company at a price of HK$0.66 per share were issued. As at March 31, 2006, the Company has no outstanding warrants.

(f) On October 20, 2006, pursuant to a subscription agreement dated August 30, 2006, the Company allocated and issued a total of 150,000,000 ordinary shares of HK$0.01 each in the Company at a price of HK$1.25 per share to Asian Development Bank.

(g) On January 10, 2007, pursuant to the subscription letter dated October 29, 2003, the Company issued a total of 7,001,191 ordinary shares of HK$0.01 each in the Company at a price of HK$1.128 per share to ML. Details of the subscription letter are set out in note 37.

The shares issued during the year rank pari passu with the then existing shares in all respects.

36. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount is unsecured, interest bearing at 2% per annum and repayable in year 2013. Accordingly, amount is classified as non-current liability as at the balance sheet date.

The effective interest rate on the amount due to a minority shareholder of a subsidiary is equal to contracted interest rate.

37. CONVERTIBLE BONDS

The Company entered into a subscription letter on October 29, 2003 with ML pursuant to which the Company granted to ML, the rights to subscribe for new shares of the Company (the "Letter"). Under the terms of the Letter, ML would have a right to subscribe for new shares up to 15% of the principal amount of each tranche of the convertible bonds ("the ML Bonds") pursuant to a subscription agreement dated on October 29, 2003 ("the Agreement") issued divided by 0.94 with a subscription price of HK$1.128 per share (subject to adjustments). The subscription rights are exercisable by ML at any time from and including the date of issue to the maturity date of the relevant tranche of the ML Bonds. The maturity dates are October 30, 2008 and October 30, 2009 for the ML Bonds issued on November 13, 2003 and June 10, 2004, respectively. All of the ML Bonds issued under the Agreement had been either converted or redeemed during the two years ended March 31, 2005. Upon the adoption of HKAS 39, the fair value of the stock subscription rights has been recognised as derivative financial instruments as set out in note 28.

On June 23, 2005, the Company entered into a conditional subscription agreement with CQS Convertible and Quantitative Strategies Master Fund Limited ("CQS") and Courtenay Enterprises Limited ("Courtenay"), independent third parties of the Group, whereby CQS and Courtenay subscribed the USD denominated Bonds ("the Bond") issued at par by the Company in an aggregate principal amount of US$40,000,000. The Bond was issued on June 29, 2005 ("the Issue Date") and carries interest at 1% per annum and is matured on June 29, 2010. The conversion price of the Bond is HK$1.7310 and can be converted at any time on or after Issue Date up to June 19, 2010. Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed at 127.070 per cent of their principal amount on June 29, 2010. All or some of the Bonds may be redeemed at the option of the relevant holder on June 29, 2008 at 115.314 per cent of their principal amount. The Bond are listed on the Stock Exchange (Stock Code: 2562) on June 1, 2006.

The net proceeds received from the issue of convertible bonds contain the following components that are required to be separately accounted for in accordance with HKAS 32 "Financial instruments: Disclosure and Presentation" and HKAS 39 "Financial instruments: Recognition and Measurement":

(a) Liability component of the Bond represents the present value of the contractually determined stream of future cash flows discounted at the rate of interest at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion and redemption option. The effective interest rate of the liability component is 4.5% (2006: 4.5%) per annum.

(b) Embedded conversion option of the Bond to be accounted for as a separate financial liability represents the fair value of the option to convert the liability into equity of the Company but the conversion will be settled other than by the exchange of a fixed number of the Company's own equity.

(c) Embedded early redemption option of the Bond represents the Company's option to early redeem all or part of the Bond.

(d) Mandatory redemption option of the Bond represents redemption at the option of the bond holders.

37. CONVERTIBLE BONDS *(Continued)*

The movement of different components of the convertible bonds during the year is set out below:

	Liability	Embedded conversion option	Early redemption option	Mandatory redemption option	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At April 1, 2005	–	–	–	–	–
Issued during the year, net of issued cost	264,863	40,609	(5,991)	1,260	300,741
Interest charged (note 9)	10,436	–	–	–	10,436
Interest paid	(2,325)	–	–	–	(2,325)
At March 31, 2006	272,974	40,609	(5,991)	1,260	308,852
Adjustment in liability component (note)	(10,642)	–	–	–	(10,642)
Change in fair value	–	11,893	(9,874)	152	2,171
Interest charged (note 9)	14,225	–	–	–	14,225
Interest paid	(3,100)	–	–	–	(3,100)
At March 31, 2007	273,457	52,502	(15,865)	1,412	311,506

Note:

Under the terms of the conditional subscription agreement with CQS, if the Stock Exchange has not granted listing of and permission to deal in the Bond before the first anniversary of the Issue Date, the interest rate shall be increased to 2% per annum with effect from the first anniversary of the Issue Date.

During the year, the Bond are listed on the Stock Exchange on May 29, 2006 and therefore, carries at interest rate of 1% per annum throughout the period. The decrease in fair value of liability component of the Bond due to revision of estimated cash flows is recognised as other income.

38. DEFERRED TAXATION

The following is the deferred tax liabilities (assets) recognised and movements thereon during the current and prior reporting years.

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At April 1, 2005	18	(18)	–
Charge (credit) to income statement for the year	1,466	(1,466)	–
At March 31, 2006	1,484	(1,484)	–
Charge (credit) to income statement for the year	888	(888)	–
At March 31, 2007	2,372	(2,372)	–

At March 31, 2007, the Group has estimated unused tax losses of HK$326,241,000 (2006: HK$228,512,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK$13,554,000 (2006: HK$8,480,000) of the tax losses. No deferred tax asset has been recognised for the remaining estimated tax losses of HK$312,687,000 (2006: HK$220,032,000) due to the uncertainty of future profits streams. Included in unrecognised estimated tax losses are losses of HK$90,645,000 (2006: HK$43,593,000) that will expire in 5 years from the year of origination. Other losses may be carried forward indefinitely.

39. ACQUISITION OF SUBSIDIARIES AND ADDITIONAL INTEREST IN A SUBSIDIARY

Acquisition of assets through purchase of subsidiaries in 2007

(i) On July 14, 2006, the Group acquired 100% equity interests in China City Natural Gas Investment Limited ("CGNGIL") at a total consideration of HK$70,200,000. The group headed by CGNGIL has not yet commenced business at the date of a acquisition

	Net assets acquired HK$'000
Property, plant and equipment	3,095
Prepaid lease payments	149
Intangible asset – exclusive rights of natural gas operations	70,134
Deposits for acquisition for property, plant and equipment	9,613
Inventories	7
Other receivables	10,069
Bank balances and cash	48,175
Other payables	(4,752)
Advance from a shareholder	(64,559)
Minority interests of subsidiaries of CGNGIL	(1,731)
Total consideration	70,200
SATISFIED BY	
Cash consideration	70,200
NET CASH OUTFLOW ARISING ON ACQUISITION	
Cash consideration paid	(70,200)
Bank balances and cash acquired	48,175
	(22,025)

39. ACQUISITION OF SUBSIDIARIES AND ADDITIONAL INTEREST IN A SUBSIDIARY *(Continued)*

Acquisition of assets through purchase of subsidiaries in 2007 *(Continued)*

(ii) On October 8, 2006, the Group acquired 100% equity interests and outstanding shareholder loan of China Gas Investment Development Limited ("CGIDL") at a total consideration of HK$30,000,000. CGIDL and its subsidiary has not commercial business at the date of a acquisition.

	Net assets acquired HK$'000
Intangible asset	
– contracted customer base	15,000
Other receivables	15,000
Total consideration satisfied by cash	
and net cash outflow arising on acquisition	30,000

Acquisition of additional interest in a subsidiary in 2007

On January 27, 2007, 中燃投資有限公司 ("中燃投資"), a wholly-owned subsidiary of the Company, entered into agreements with independent third parties in relation to the acquisition of the remaining 45% equity interests of a non-wholly owned subsidiary – 孝感中燃天然氣有限公司 ("孝感中燃") at a total consideration of RMB42,000,000 (approximately HK$42,856,000). The Group has paid HK$21,939,000 during the year. The unpaid consideration was included in other payable.

Goodwill on acquisitions arising from the acquisition of additional interest in 孝感中燃 is HK$24,590,000.

40. ACQUISITION OF JOINTLY CONTROLLED ENTITIES

Establishment of a jointly controlled entity in 2007

On March 16, 2007, the Group established a jointly controlled entity in the PRC, namely 呼和浩特中燃, which the Group owns 50% equity interest. The Group contributed the capital in cash of HK$394,912,000 and the other shareholder contributed the capital in the form of assets and liabilities. The assets and liabilities contributed by the other shareholder enable 呼和浩特中燃 to continue the operation of the existing natural gas business in which the other shareholder previously engaged. This transaction has been accounted for using the purchase method of accounting.

	Carrying amount of net assets injected by other shareholder of 呼和浩特中燃	Adjustments	Provisional fair value of net assets injected by other shareholder of 呼和浩特中燃 and the Group	50% of provisional fair value under proportionate consolidation
	HK$'000	HK$'000	HK$'000	HK$'000
NET ASSETS ACQUIRED				
Property, plant and equipment	518,598	70,538	589,136	294,568
Prepaid lease payments	126,130	139,328	265,458	132,729
Inventories	36,090	–	36,090	18,045
Trade and other receivables	177,930	–	177,930	88,965
Bank balances and cash	96,230	–	96,230	48,115
Trade and other payables	(520,480)	–	(520,480)	(260,240)
Bank borrowings	(226,218)	–	(226,218)	(113,109)
	208,280	209,866	418,146	209,073
Agreed cash injection by the Group			394,912	197,456
			813,058	406,529
Discount on acquisition				(11,617)
Total consideration				394,912
SATISFIED BY				
Cash injection to 呼和浩特中燃				78,982
Obligation on acquisition				315,930
				394,912
NET CASH INFLOW ON ACQUISITION				
Cash injection to 呼和浩特中燃				(78,982)
Bank balances and cash shared by the Group				87,606
				8,624

Note: The initial accounting for the above a acquisition has been determined provisionally, awaiting the receipt to professional valuations in relation to certain underlying assets and liabilities of the acquiree.

40. ACQUISITION OF JOINTLY CONTROLLED ENTITIES *(Continued)*

Establishment of a jointly controlled entity in 2007 *(Continued)*

As at March 31, 2007, the Company has contributed the capital in cash of HK$78,982,000 to 呼和浩特中燃. The remaining capital of HK$315,930,000 was not paid as at the balance sheet date. The remaining capital is subsequently injected to 呼和浩特中燃 on April 16, 2007. As the Group owns 50% equity interest in 呼和浩特中燃 and accounts for such interest using proportional consolidation, the obligation on acquisition as at balance sheet date is HK$157,965,000 .

Establishment of a jointly controlled entity in 2006

On December 19, 2005, the Group established a jointly controlled entity in the PRC, namely 楊州中燃, which the Group owns 50% issued share capital. The Group contributed the capital in cash of HK$207,212,000 and the other shareholder contributed the capital in the form of assets and liabilities. The assets and liabilities contributed by the other shareholder enable 楊州中燃 to continue the operation of the existing natural gas business which the other shareholder previously engaged. This transaction has been accounted for using the purchase method of accounting.

	Carrying amount and fair value of net assets injected by the other shareholder of 楊州中燃 and the Group HK$'000	**50% of carrying amount and fair value of net assets under proportionate consolidation** HK$'000
NET ASSETS ACQUIRED		
Property, plant and equipment	186,618	93,309
Inventories	88,648	44,324
Trade and other receivables	59,456	29,728
Bank balances and cash	28,490	14,245
Trade and other payables	(155,214)	(77,607)
	207,998	103,999
Agreed cash injection by the Group	207,212	103,606
	415,210	207,605
Discount on acquisition		(393)
Total consideration		207,212
SATISFIED BY		
Cash injection to 楊州中燃		207,212
NET CASH OUTFLOW ON ACQUISITION		
Cash injection to 楊州中燃		(207,212)
Bank balances and cash shared by the Group		117,851
		(89,361)

40. ACQUISITION OF JOINTLY CONTROLLED ENTITIES *(Continued)*

Acquisition in 2006

(i) On December 22, 2005, the Group acquired 50% equity interests in 柳州中燃 at a consideration of HK$144,688,000.

	Acquirees' carrying amounts before combination and fair values under proportionate consolidation HK$'000
NET ASSETS ACQUIRED	
Property, plant and equipment	110,110
Prepaid lease payments	13,452
Inventories	4,762
Trade and other receivables	31,074
Bank balances and cash	14,557
Trade and other payables	(15,733)
Bank borrowings	(79,515)
	78,707
Goodwill	65,981
	144,688
SATISFIED BY	
Cash consideration	144,688
NET CASH OUTFLOW ARISING ON ACQUISITION	
Cash consideration paid	(144,688)
Bank balances and cash acquired	14,557
	(130,131)

柳州中燃 is engaged in trading of natural gas business in the PRC. The goodwill arising on the acquisition of 柳州中燃 is attributable to the anticipated profitability of the gas connection and sales of piped gas businesses of this company.

41. ACQUISITION OF BUSINESS

Acquisition of business through establishment of subsidiaries in 2007

(i) During the year, the Group established a subsidiary in the PRC, namely 撫順中燃城市燃氣發展有限公司 ("撫順中燃") which the Group owns 70% equity interest. The consideration paid by the Group is HK$92,629,000 of which HK$67,505,000 and HK$13,653,000 have been paid to 撫順市燃氣總公司 ("撫順市燃氣") the minority shareholder which contributed to 撫順中燃 its existing business in the form of certein assets and liabilities and the local government to acquire a land use right respectively on July 25, 2006. The remaining cash consideration of HK$11,471,000 have been injected to 撫順中燃 by the Group. The assets and liabilities contributed by 撫順市燃氣 on July 25, 2006 enable 撫順中燃 to continue the operation of the existing natural gas business which 撫順市燃氣 previously engaged. This transaction has been accounted for using the purchase method of accounting.

	Carrying amount of net assets injected by 撫順市燃氣 HK$'000	Adjustments HK$'000	Provisional fair value HK$'000
NET ASSETS ACQUIRED			
Property, plant and equipment	139,818	(24,461)	115,357
Prepaid lease payments	27,885	–	27,885
Inventories	2,650	–	2,650
Trade and other receivables	25,089	(125)	24,964
Bank balances and cash	3,352	–	3,352
Trade and other payables	(15,727)	–	(15,727)
Borrowings	(37,625)	–	(37,625)
	145,442	(24,586)	120,856
Cash injected by the Group			11,471
Minority interest			(39,698)
Total consideration			92,629
SATISFIED BY			
Cash consideration paid to 撫順市燃氣 and the local government			81,158
Cash injection to 撫順中燃			11,471
			92,629
NET CASH OUTFLOW ON ACQUISITION			
Cash consideration paid			(81,158)
Bank balances and cash acquired			3,352
			(77,806)

撫順中燃 contributed to the Group's revenue of HK$36,751,000 and contributed profit to the Group's result for the year of HK$11,528,000.

Note: The initial accounting for the above acquisition has been determined provisionally, awaiting the receipt of professional valuations relation to certain underlying assets and liabilities of the acquiree.

41. ACQUISITION OF BUSINESS *(Continued)*

Acquisition of business through establishment of a subsidiary in 2006

On March 7, 2006, the Group established a subsidiary in the PRC, namely 寶鷄中燃城市燃氣發展有限公司 ("寶鷄中燃") which the Group owns 64% issued share capital. The Group contributed the capital in cash of HK$163,523,000 and 寶鷄市天燃氣總公司 ("寶鷄天燃氣"), the minority shareholder contributed the capital in the form of assets and liabilities. The assets and liabilities contributed by 寶鷄天燃氣 enable 寶鷄中燃 to continue the operation of the existing natural gas business which 寶鷄天燃氣 previously engaged. This transaction has been accounted for using the purchase method of accounting.

41. ACQUISITION OF BUSINESS *(Continued)*

Acquisition of business through establishment of a subsidiary in 2006 *(Continued)*

	Carrying amount of net assets injected by寶鷄天燃氣 HK$'000	Adjustments HK$'000	Fair value HK$'000
NET ASSETS ACQUIRED			
Property, plant and equipment	216,438	(33,953)	182,485
Prepaid lease payments	15,916	19,577	35,493
Inventories	13,302	(3,953)	9,349
Trade and other receivables	33,574	–	33,574
Bank balances and cash	33,086	–	33,086
Trade and other payables	(15,017)	–	(15,017)
Borrowings	(125,382)	–	(125,382)
Minority interest of subsidiaries of 寶鷄中燃	(3,013)	–	(3,013)
	168,904	(18,329)	150,575
Cash injected by the Group			163,523
Minority interest			(113,075)
Discount on acquisition			(37,500)
Total consideration			163,523
SATISFIED BY			
Cash injection to 寶鷄中燃			163,523
NET CASH INFLOW ON ACQUISITION			
Bank balances and cash acquired			33,086

41. ACQUISITION OF BUSINESS *(Continued)*

Acquisition of business through establishment of a subsidiary in 2006 *(Continued)*

In the opinion of the directors, the discount on acquisition of the business from 寶鷄天燃氣 to establish a new subsidiary 寶鷄中燃 represents an intended discount provided by the PRC regulator to attract foreign investor to engage in encourage foreign investment project. Introduction of the foreign investment to the PRC energy business which was previously operated by state-owned enterprise lead to the improvement of the corporate governance standard and to increase the operational effectiveness.

寶鷄中燃 contributed to the Group's revenue of HK$4,467,000 and contributed loss to the Group's result for the year of HK$2,121,000 during the year ended March 31, 2006.

42. DISPOSAL OF A SUBSIDIARY

Disposal in 2006

During the year ended March 31, 2006, the Group disposed of 51% equity interest in 遵化中燃翔科天然氣有限公司 ("遵化中燃"), which represent the total shareholding owned by the Group, at a consideration of HK$2,692,000.

	HK$'000
NET ASSETS DISPOSED OF	
Properties plant and equipment	5,800
Trade and other receivables	8,957
Bank balances and cash	10
Trade and other payables	(9,858)
Minority interests	(2,160)
	2,249
Gain on disposals	443
Total cash consideration	2,692
Net cash flow arising on disposal:	
Cash consideration received	2,692
Bank balances and cash disposed of	(10)
	2,682

遵化中燃 contributed to the Group's revenue of HK$3,255,000 and contributed a loss of HK$34,000 to the Group's result for the year ended March 31, 2006.

43. MAJOR NON-CASH TRANSACTIONS

During the year ended March 31, 2006, property, plant and equipment and prepaid lease payments amounting to HK$4,250,000 and HK$8,126,000, respectively, were transferred to investment properties.

During the year ended March 31, 2006, a minority shareholder of a subsidiary of the Company has injected property, plant and equipment with a fair value of HK$20,192,000, to satisfy the commitment to inject capital in this subsidiary agreed by the minority shareholder on the incorporation date.

44. OPERATING LEASE ARRANGEMENTS

The Group as lessee

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

	2007 HK$'000	2006 HK$'000
Within one year	4,456	4,630
In the second to fifth year inclusive	2,684	1,136
After five years	–	476
	7,140	6,242

Operating lease payments represent rentals payable by the Group in respect of leasehold land and buildings and equipment. Leases for rented premises and equipment are negotiated for an average term of 2 years with fixed rental.

The Group as lessor

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

	2007 HK$'000	2006 HK$'000
Within one year	4,076	840
In the second to fifth year inclusive	5,216	3,360
After five years	2,673	3,360
	11,965	7,560

Leases are negotiated for an average term of two years.

45. CAPITAL COMMITMENTS

(i) On April 29, 2006, a subsidiary of the Company entered into a share transfer agreement with 廣西南方控股股份有限公司 pursuant to which the subsidiary will acquire 60% equity interest in 南寧管道燃氣有限責任公司 ("南寧管道") at an aggregate consideration of RMB55,000,000 (approximate HK$56,122,000) and have paid the full amount of consideration as at the balance sheet date. The completion of the acquisition is pending for the completion of change in the directors of 南寧管道 as appointed by the Group to get the control of南寧管道 pursuant to the share transfer agreement. The transaction has not yet been completed at the date of this report.

(ii) On June 6, 2006, the Group entered into an investment agreement ("Investment Agreement") with Dalian SOA Administration Bureau to establish a subsidiary namely 大連中燃城市燃氣發展有限公司 ("Dalian JV"). Dalian JV will engage principally in the natural gas business. The Group will hold 75% equity interest of Dalian JV after its establishment. Pursuant to the Investment Agreement, the registered capital of the Dalian JV will be RMB1,000,000,000 (approximate HK$1,020,408,000). RMB750,000,000 (approximate HK$765,306,000) will be contributed by the Group by way of cash and the remaining RMB250,000,000 (approximate 255,102,000) will be contributed by Dalian SOA Administration Bureau by way of assets injection. The transaction has not yet been completed at the date of this report.

(iii) On September 16, 2006, a wholly owned subsidiary of the Company entered into a agreement with 德州市燃氣總公司 ("Dezhou Partner") pursuant to which 德州中燃城市燃氣發展有限公司 ("Dezhou JV") will be established in Dezhou city, Shandong Province, the PRC. Dezhou JV will be engaged principally in the natural gas business in Dezhou city. Dezhou JV will be owned beneficially as to 51% by the Group and 49% by Dezhou Partner. The registered capital of Dezhou JV will be RMB218,622,000 of which RMB111,497,000 (approximate 113,772,000) will be contributed by the Group by way of cash and the remaining capital would be contributed by Dezhou Partner by way of injection of assets and liabilities of an existing business. The transaction has not yet been completed at the date of the report.

(iv) On December 18, 2006, the Group entered into share transfer agreements with two independent third parties pursuant to which the Group will acquire 100% equity interest in Positive Rise Energy Limited and 2.55% equity interest in Shanghai Zipower Gas Industry Company Limited at an aggregate consideration of RMB255,950,000 (approximate HK$261,173,000). The Group has paid HK$224,133,000 during the year. As at the balance sheet date, the completion of the acquisition is pending for the completion of change in the directors of the acquiring companies to be appointed by the Group to get the control of the acquiring companies pursuant to the share transfer agreements. The transaction has been completed at the date of the report.

Save as disclosed above, as at March 31, 2007, the Group has capital commitments in respect of the acquisition for property, plant and equipment and construction materials for property, plant and equipment contracted for but not provided in the financial statements amounting to HK$392,357,000 (2006: HK$453,224,000) and HK$56,006,000 (2006: HK$175,573,000), respectively.

46. PLEDGE OF ASSETS

The Group pledged certain property, plant and equipment and prepaid lease payments having a net carrying value of HK$356,842,000 and HK$21,030,000 (2006: HK$355,417,000 and nil), investment properties having a carrying value of HK$18,000,000 (2006: HK$16,450,000) and certain subsidiaries pledged their equity investments in other subsidiaries to banks to secure loan facilities granted to the Group.

47. RETIREMENT BENEFITS SCHEMES

With effective from December 1, 2000, the Group has joined a MPF Scheme for all employees in Hong Kong. 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 rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years at March 31, 2007 and 2006.

Employees of the Group's subsidiaries in the PRC are covered by the retirement and pension schemes defined by local practice and regulations. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement and pension schemes. The only obligation of the Group in respect to the retirement benefits scheme is to make the specified contribution.

The calculation of contributions for PRC eligible staff is based on certain percentage of the applicable payroll costs. The contribution to the MPF Scheme is calculated based on the rules set out in the MPF Ordinance which is 5% on the basic salary of the relevant employee subject to a specific ceiling.

48. SHARE OPTION SCHEME AND SHARE BASED PAYMENTS

The share option scheme was adopted by the Company pursuant to a resolution passed on February 6, 2003 (the "Scheme") for the primary purpose of providing incentives to any directors of the Company, any employees of the Group, or any employee, partner or director of any business consultant, joint venture partner, financial adviser or legal adviser of the Group.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at the date of shareholders' approval of the Scheme ("Scheme Mandate Limit") or, if such 10% limit is refreshed, at the date of shareholders' approval of the renewal of the Scheme Mandate Limit. The maximum aggregate number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue. Each grant of options to any director, chief executive or substantial shareholder must be approved by independent non-executive directors. Where any grant of options to substantial shareholder or an independent non-executive director or any of their respective associate would result in the shares of the Company issued and to be issued upon exercise of options already granted and to be granted in excess of 0.1% of the Company's issued share capital and with a value in excess of HK$5,000,000 in the 12-month period up to the date of grant must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days from the date of grant, upon payment of HK$10 per each grant. Options may be exercised at any time from the date to be determined by the board of directors to the tenth anniversary of the date of grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant and (iii) the nominal value of a share.

The life of the Scheme is effective for 10 years from the date of adoption until February 5, 2013.

48. SHARE OPTION SCHEME AND SHARE BASED PAYMENTS *(Continued)*

The following table discloses details of the Company's share options held by employees (including directors) and movements in such holdings during the two years ended March 31, 2007:

Date of grant	Vesting period	Exercisable period	Exercise price per share HK$	Number of share options at 4.1.2005	Granted during the year	Exercised during the year	Lapsed during the year	Number of share options at 3.31.2006	Exercised during the year	Lapsed during the year	Number of share options at 3.31.2007
Directors											
1.9.2004	1.9.2004 to 8.30.2004	1.9.2004 to 1.8.2014	0.80	33,240,711	–	–	(2,000,000)	31,240,711	–	–	31,240,711
10.6.2004	(Note 1)	(Note 1)	0.71	220,000,000	–	–	–	220,000,000	–	–	220,000,000
10.6.2004	10.6.2004 to 3.19.2005	3.20.2005 to 10.5.2014 (Note 2)	0.71	9,100,000	–	(700,0000)	(1,000,000)	7,400,000	–	–	7,400,000
10.20.2005	10.20.2005 to 10.19.2010	10.20.2010 to 10.19.2015	1.50	–	5,000,000	–	–	5,000,000	–	–	5,000,000
				262,340,711	5,000,000	(700,000)	(3,000,000)	263,640,711	–	–	263,640,711
Other employees											
1.9.2004	1.9.2004 to 8.30.2004	9.1.2004 to 1.8.2014	0.80	81,120,000	–	(10,810,000)	(1,800,000)	68,510,000	(3,240,000)	(2,060,000)	63,210,000
10.6.2004	10.6.2004 to 3.19.2005	3.20.2005 to 10.5.2014 (Note 2)	0.71	166,300,000	–	(20,240,000)	–	146,060,000	(14,400,000)	–	131,660,000
10.20.2005	10.20.2005 to 10.19.2010	10.20.2010 to 10.19.2015	1.50	–	151,800,000	–	–	151,800,000	–	–	151,800,000
1.27.2006	1.27.2006 to 1.26.2011	1.27.2011 to 1.26.2016	1.52	–	6,500,000	–	–	6,500,000	–	–	6,500,000
				247,420,000	158,300,000	(31,050,000)	(1,800,000)	372,870,000	(17,640,000)	(2,060,000)	353,170,000
				509,760,711	163,300,000	(31,750,000)	(4,800,000)	636,510,711	(17,640,000)	(2,060,000)	616,810,711
Weighted average exercise price				HK$0.70	HK$1.50	HK$0.74	HK$0.78	HK$0.93	HK$0.73	HK$0.8	HK$0.93

Notes:

(1) The exercise of the options will be subject to the condition that the consolidated net asset value of the Company and its subsidiaries which shall be certified by the auditors appointed by the Company as at the date of the exercise of the options being not less than HK$1 billion. Exercisable period is between November 22, 2004 to October 5, 2014.

(2) The original exercisable period was July 1, 2005 to October 5, 2014. Pursuant to a resolution passed in the board of directors meeting held on March 20, 2005, the exercisable period is changed to the period from March 20, 2005 to October 5, 2014.

The consideration received during the year from the directors and employees for taking up the options granted amounted to nil (2006: HK$520).

48. SHARE OPTION SCHEME AND SHARE BASED PAYMENTS *(Continued)*

In accordance with HKFRS 2 "Share-based payment", fair value of share options granted to employees determined at the date of grant is expensed over the vesting period, with a corresponding adjustment to the Group's share option reserve. In the current year, an amount of share-based payment expenses in respect of its share options of approximately HK$4,896,000 (2006: HK$8,505,000) has been recognised with a corresponding adjustment recognised in the Group's share option reserve.

The options outstanding as at March 31, 2007 have a weighted average remaining contractual life of 8 years (2006: 9 years). No share option was granted in the current year. In 2006, options were granted on October 20, 2005 and January 27, 2006. The estimated fair values of the options granted on those dates are HK$33,227,000 and HK$1,597,000, respectively.

These fair values were calculated using the Black-Scholes-Merton Option Pricing Model. The inputs into the model were as follows:

	Share option grant date	
	January 27, 2006	October 20, 2005
Weighted average share price	**HK$1.536**	HK$1.240
Exercise price	**HK$1.520**	HK$1.500
Expected volatility (note a)	**27.56%**	29.59%
Expected life (note b)	**2 years**	2 years
Risk free rate (note c)	**4.102%**	4.220%
Expected dividend yield (note d)	**0%**	0%

Notes:

(a) Due to the lack of the comparable historical performance of the Company, the volatility is made reference to the historical volatility of the share price of other company in the similar industry over 260 trading days.

(b) Expected life used has been adjusted, based on the management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

(c) The risk free rate is determined by the reference to the Exchange Fund Notes issued by Hong Kong Monetary Authority.

(d) The expected dividend yield was based on historical dividend payment record of the Group and consensus from analyst forecast.

48. SHARE OPTION SCHEME AND SHARE BASED PAYMENTS *(Continued)*

During the year ended March 31, 2006, the Group selected not to apply HKFRS 2 with respect to the share options granted on or before November 7, 2002 and vested before April 1, 2005 in accordance with the transitional provision of HKFRS 2. The financial impact of the share options granted and fully vested before April 1, 2005 is not recorded in the Company's or the Group's financial statements until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

49. RELATED PARTY TRANSACTIONS

Apart from the amounts due from/to related parties as disclosed in notes 27, 29, 32 and 36, the Group entered into the following transactions with related parties that are not members of the Group:

(i) During the year, the Group purchased gas and plant and equipment for total amount of HK$95,334,000 and HK$144,294,000 respectively (2006: HK$7,029,000 and nil) from minority shareholders of subsidiaries.

The remuneration of key management of the Group was as follows:

	2007 **HK$'000**	2006 HK$'000
Short-term benefits	**11,100**	14,127
Post employment benefits	**51**	72
	11,151	14,199

The remuneration of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

50. POST BALANCE SHEET EVENTS

(i) On May 21, 2007, the Company entered into a joint venture agreement ("JV agreement") with OOC to establish a joint venture company ("JV Company") in Bermuda. The JV Company will primarily engage on the importation into PRC energy products from the Middle East or other parts of the world. The Company will own 50% equity interest of the JV Company after its establishment. Pursuant to the JV agreement, the authorised share capital of the JV Company will be US$40,000,000 (approximate HK$312,000,000) divided into 40,000,000,000 shares of a par value of US$0.001 each. US$20,000,000 will be contributed by the Company by way of cash and the remaining US$20,000,000 will be contributed by OOC by way of a combination of cash and provision of resources.

50. POST BALANCE SHEET EVENTS *(Continued)*

(ii) On May 21, 2007, Zhongran Investment Limited ("Zhongran") a wholly owned subsidiary of the Company, entered into a cooperation agreement with 長沙市液化石油氣發展有限公司 (Changsha City LPG Development Limited) for the establishment of Changsha Zhongran Natural Gas Company Ltd. ("Changsha Zhongran") to operate natural gas refilling station for vehicles business in Changsha City, Hunan Province. The registered capital of Changsha Zhongran will be RMB20,000,000 and Zhongran will own 70% equity interest in Changsha Zhongran.

(iii) On May 27, 2007, the Group entered into a LNG cooperation agreement ("LNG agreement") with the People's Government of XuanHangxian, Dazhou City of Sichuan Province ("Sichuan Government") to establish a wholly foreign owned enterprise ("WFOE"). The estimated total investment of the WFOE would be RMB1,200,000,000 (approximate HK$1,236,000,000). WFOE will engage principally in the natural gas business. Sichuan Government will provide preference terms to the WFOE on taxation, lands and other related matters to WFOE to cooperate the natural gas business in Sichuan Province.

(iv) On June 7, 2007, the Group entered into a share transfer agreement with Ordos City Shi Da Property Development Company Limited ("Shi Da Property") pursuant to which the Group will acquire 65% equity interests in Otog Banner Chang Meng Gas Company Limited ("Chang Meng Gas") at a consideration of RMB1,950,000 (approximately HK$2,009,000). Chang Meng Gas is principally engaged in property development and sales of building materials in Inner Mongolia Automous region.

(v) On June 20, 2007, the Group entered into cooperation agreements with Baotou City Shenyin Chan Ye Holding Limited and independent third parties pursuant to which the Group will acquire 80% equity interest in Baotou City Gas Limited ("Baotou Gas"), Baotou City Shenyin Chan Ye Holding Limited ("Shenyin Natural Gas ") and Baotou City Shenyin Pipeline Engineering Limited ("Shenyin Engineering") at an aggregate consideration of RMB 179,040,000 (approximate HK$184,411,200). Baotou Gas, Baotou Natural Gas and Baotou Engineering are engaged principally in the natural gas business in Baotou City, Inner Mongolia.

(vi) On June 26, 2007, the Company entered into a joint venture agreement with GAIL (India) Limited ("GAIL") for the establishment of a joint venture company ("CS-GAIL JV") in Bermuda. The CS-GAIL JV will primarily engage in the operation and management of projects regarding purchase, sale, processing and distribution, marketing and transportation of natural gas, LNG and CNG. The Company will own 50% equity interest in CS-GAIL JV after its establishment. Pursuant to the agreement, the authorized share capital of the CS-GAIL JV will be US$50,000,00 (approximately HK$390,000,000) divided into 50,000,000 shares of par value of US$1 each. The Company and GAIL will reach subscribe for 250,000 CS-GAIL JV Shares at par in the amount of US$250,000 (equivalent to HK$1,950,000) in cash.

(vii) Subsequent to the balance sheet date, pursuant to the conversion notices received from holders of the Bond, aggregate principal amount of US$23,000,000 of the Bond were converted into 103,639,506 ordinary shares of the Company at a conversion price of HK$1.731 each.

(viii) Subsequent to the balance sheet date, the Group has drawn down a bank loan of US$56,000,000 and RMB168,000,000 out of banking facilities of US$100,000,000 and RMB199,055,000 respectively obtained during the year ended March 31, 2007.

51. PARTICULAR OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at March 31, 2007 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Form of business structure	Paid up issued share capital/registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activities
Hai Xia Finance Limited	Hong Kong	Incorporated	Ordinary HK$2	–	100	Securities investment
Iwai's Holdings (Hong Kong) Limited	Hong Kong	Incorporated	Ordinary HK$1,000 Non-voting deferred shares HK$1,000,000 (Note)	– –	100 –	Investment holding, property investment and provision of management services to group companies
Wellgem Asia Limited	Hong Kong	Incorporated	Ordinary HK$10,000	100	–	Property development
中燃燃氣實業(深圳)有限公司 Zhongran (Shenzhen) Company Limited* (Formerly known as 中亞燃氣實業（深圳）有限公司)	PRC	WFOE	Registered US$29,800,000	100	–	Investment holding and treasury
中燃投資有限公司	PRC	WFOE	Registered RMB898,637,000	100	–	Investment holding and treasury
北京中燃翔科油氣技術有限公司 Beijing Zhongran Xiangke Oil Gas Technology Company Limited*	PRC	Sino-foreign equity joint venture	Registered RMB20,000,000	–	60	Trading of natural gas and gas pipeline construction
Elegant Cheer Limited	Hong Kong	Incorporated	Ordinary HK$10,000	–	100	Property holding
武漢中燃投資有限公司 Wuhan China Natural Gas Investment Company Limited*	PRC	Limited liability company	Registered RMB69,980,000	–	100	Investment holding
益陽中燃城市燃氣發展有限公司 Yiyang Central Gas & City Gas Development Co., Ltd.*	PRC	Sino-foreign equity joint venture	Registered RMB44,000,000	–	80	Trading of natural gas and gas pipeline construction

51. PARTICULAR OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration/ operations	Form of business structure	Paid up issued share capital/registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activities
蕪湖中燃城市燃氣發展有限公司 Wuhu City Natural Gas Development Company Limited*	PRC	Sino-foreign equity joint venture	Registered RMB100,000,000	–	90	Trading of natural gas and gas pipeline construction
北京中油翔科科技有限公司	PRC	Limited liability company	Registered RMB2,000,000	–	80	Trading of natural gas and gas pipeline construction
唐山翔科燃氣有限公司	PRC	Limited liability company	Registered RMB1,000,000	–	70	Trading of natural gas and gas pipeline construction
廊坊市翔科危險貨物運輸有限公司	PRC	Limited liability company	Registered RMB500,000	–	80	Trading of natural gas and gas pipeline construction
廊坊市翔科油氣技術有限公司	PRC	Limited liability company	Registered RMB2,680,000	–	51	Trading of natural gas and gas pipeline construction
宜昌中燃城市燃氣發展有限公司 Yichang Zhongran City Gas Development Limited*	PRC	Limited liability company	Registered RMB70,000,000	–	70	Trading of natural gas and gas pipeline construction
藁城翔科燃氣有限公司	PRC	Limited liability company	Registered RMB2,000,000	–	95	Trading of natural gas and gas pipeline construction
Clever Decision Enterprises limited	BVI	Incorporated	Ordinary US$100	100	–	Investment holding
北京通寶華油燃氣技術發展有限公司	PRC	Wholly owned foreign enterprise	Registered RMB20,000,000	–	100	Investment holding
淮南中燃城市燃氣發展有限公司 Huainan China Gas City Gas Development Co., Ltd.*	PRC	Sino-foreign equity joint venture	Registered RMB72,000,000	–	100	Trading of natural gas and gas pipeline construction

51. PARTICULAR OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration/ operations	Form of business structure	Paid up issued share capital/registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activities
隨州中燃城市燃氣發展有限公司 Suizhou Zhongran City Gas Development Co., Ltd.*	PRC	Sino-foreign equity joint venture	Registered RMB35,000,000	–	100	Trading of natural gas and gas pipeline construction
孝感中燃 Xiaogan China Gas Co., Ltd.*	PRC	Sino-foreign equity joint venture	Registered RMB48,950,000	–	100	Trading of natural gas and gas pipeline construction
孝感中亞城市燃氣發展有限公司 Xiaogan China Gas Co., Ltd.*	PRC	Sino-foreign equity joint venture	Registered RMB16,002,000	–	100	Trading of natura gas and gas pipeline construction
漢川中燃城市燃氣發展有限公司 Hanchuan Jchina Gas Co., Ltd.*	PRC	Sino-foreign equity joint venture	Registered RMB11,274,000	–	100	Trading of natural gas and gas pipeline construction
雲夢中燃城市燃氣發展有限公司 Yunmeng China Gas Co., Ltd.*	PRC	Sino-foreign equity joint venture	Registered RMB9,708,000	–	100	Trading of natural gas and gas pipeline construction
應城中燃城市燃氣發展有限公司 Yingcheng Jiaxu China Gas Co., Ltd.*	PRC	Sino-foreign equity joint venture	Registered RMB10,074,000	–	100	Trading of natural gas and gas pipeline construction
當陽中燃天然氣有限公司 Dangyang Zhongran Gas Co., Ltd.*	PRC	Wholly owned foreign enterprise	Registered HK$20,000,000	–	100	Trading of natural gas and gas pipeline construction
邳州中燃城市燃氣發展有限公司 Pizhou Zhongran City Gas Development Co., Ltd.*	PRC	Wholly owned foreign enterprise	Registered US$3,060,000	–	100	Trading of natural gas and gas pipeline

51. PARTICULAR OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration/ operations	Form of business structure	Paid up issued share capital/registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activities
宿州中燃城市燃氣發展有限公司 Suzhou Zhongran City Gas Development Co., Ltd.*	PRC	Sino-foreign equity joint venture	Registered US$3,625,000	–	75	Trading of natural gas and gas pipeline construction
滄州中燃城市燃氣發展有限公司 Cangzhou Zhongran City Gas Development Co., Ltd.*	PRC	Wholly owned foreign enterprise	Registered HK$2,000,000	–	100	Trading of natural gas and gas pipeline construction
南皮縣中燃城市燃氣發展有限公司 Nanpixian Zhongran City Gas Development Co., Ltd.*	PRC	Wholly owned foreign enterprise	Registered HK$2,000,000	–	100	Trading of natural gas and gas pipeline
蕪湖縣中燃城市燃氣發展有限公司 Wuhuxian Zhongran City Gas Development Co., Ltd.*	PRC	Sino-foreign equity joint venture	Registered RMB10,000,000	–	100	Trading of natural gas and gas pipeline construction
欽州中燃城市燃氣發展有限公司 Qinzhou Zhongran City Gas Development Co., Ltd.*	PRC	Wholly owned foreign enterprise	Registered RMB20,000,000	–	100	Trading of natural gas and gas pipeline construction
揚中中燃城市燃氣發展有限公司 Yangzhong Zhongran City Gas Development Co., Ltd.*	PRC	Wholly owned foreign enterprise	Registered US$1,000,000	–	100	Trading of natural gas and gas pipeline construction
天門中燃城市燃氣發展有限公司 Tianmen Zhongran City Gas Development Co., Ltd.*	PRC	Wholly owned foreign enterprise	Registered RMB10,000,000	–	100	Trading of natural gas and gas pipeline construction
寶鷄中燃 Baoji Zhongran City Gas Development Co., Ltd.	PRC	Sino-foreign equity joint venture	Registered RMB265,725,000	–	64	Trading of natural gas and gas pipeline construction

51. PARTICULAR OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation or registration/ operations	Form of business structure	Paid up issued share capital/registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company Directly %	Indirectly %	Principal activities
南京中燃城市燃氣發展有限公司 Nanjing Zhongran City Gas Development Co., Ltd.*	PRC	Sino-foreign equity joint venture	Registered RMB200,000,000	–	100	Trading of natural gas and gas pipeline construction
欽州中燃城市燃氣發展有限公司 Qinzhou Zhongran City Gas Development Co., Ltd.*	PRC	Wholly owned foreign enterprise	Registered RMB20,000,000	–	100	Trading of natural gas and gas pipeline construction
玉林中燃城市燃氣發展有限公司 Yulin Zhongran City Gas Development Co., Ltd.*	PRC	Sino-foreign equity joint venture	Registered RMB20,000,000	–	100	Trading of natural gas and gas pipeline construction
烏審旗中燃城市燃氣發展有限公司	PRC	Wholly-owned foreign enterprise	Registered RMB50,000,000	–	100	Trading of natural gas and gas pipeline construction
撫順中燃 Fushun Zhongran City Gas Development Co., Ltd.*	PRC	Sino-foreign equity joint venture	Registered RMB133,330,000	–	100	Trading of natural gas and gas pipeline construction
無為中燃城市燃氣發展有限公司 Wuwei Zhongran City Gas Development Co., Ltd.*	PRC	Sino-foreign equity joint venture	Registered RMB18,000,000	–	100	Trading of natural gas and gas pipeline construction
China Gas Corporate Services Limited	HK	Incorporated	Ordinary HK$2.00	100	–	Nominee and secretarial services
Iwai Style Limited	HK	Incorporated	Ordinary HK$2.00	–	100	Provision of management services to the Group

* *English name is for identification purposes only.*

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affected 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.

Note: The deferred shares, which are not held by the Group, practically carry no rights to dividends or to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution on winding up.

None of the subsidiaries had any debt securities outstanding at the end of the year.