中油燃氣集團有限公司

CHINA OIL AND GAS GROUP LIMITED

(Incorporated in Bermuda with Limited Liability)

Stock Code: 603

Annual Report 2007

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

XU Tie-liang *(Chairman)*
QU Guo-hua *(Chief Executive Officer)*
CHEUNG Shing
ZENG Xiao

Independent Non-Executive Directors

LI Yunlong
CHEUNG Man Yau, Timothy
SHI Xun-zhi
PENG Long

COMPANY SECRETARY

CHAN Yuen Ying Stella, *ACIS, ACS, MHKIoD*

QUALIFIED ACCOUNTANT

TO Kwan

AUTHORISED REPRESENTATIVES

XU Tie-liang
CHAN Yuen Ying Stella

AUDIT COMMITTEE

LI Yunlong *(Chairman)*
CHEUNG Man Yau, Timothy
SHI Xun-zhi
PENG Long

REMUNERATION COMMITTEE

LI Yunlong *(Chairman)*
CHEUNG Man Yau, Timothy
PENG Long
CHEUNG Shing

NOMINATION COMMITTEE

PENG Long *(Chairman)*
CHEUNG Man Yau, Timothy
LI Yunlong
CHEUNG Shing

AUDITORS

Ting Ho Kwan & Chan

PRINCIPAL REGISTRARS

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2805, 28th Floor
Sino Plaza
255-257 Gloucester Road
Causeway Bay
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

STOCK CODE

603

WEBSITES AND E-MAIL ADDRESS

Websites: http://www.hk603.com

http://www.finance.thestandard.com.hk/en/0603chinaoil&gas/index.asp

E-mail: info@hk603.com

Chairman's Statement and Management Discussion and Analysis

On behalf of the board (the "Board") of directors (the "Directors") of China Oil And Gas Group Limited (the "Company") and its subsidiaries (collectively the "Group"), I would like to present the audited results of the Group for the twelve months ended 31 December 2007 (the "Period").

The Group is principally engaged in investments in the natural gas and energy related business. The Group formed a joint venture company, namely China City Natural Gas Co., Ltd ("CCNG") with China Petroleum Pipeline Bureau ("CPP") which is a wholly owned subsidiary of China National Petroleum Corporation, to invest, develop, and operate natural gas business in the PRC.

Gas operations of the Group including piped city gas business, compressed natural gas ("CNG") stations business, liquefied natural gas ("LNG") business, pipeline design and construction, gas transportation and logistic service.

FINAL DIVIDEND

The Board does not recommend any dividend for the Period ended (2006: Nil).

FINANCIAL RESULTS

For comprehension of this report, please note that (i) the Group had increased its equity interest in CCNG to 51%, therefore CCNG had become a subsidiary of the Group and the results of which were fully consolidated into the Group's results since July 2007. Prior to July, CCNG was a jointly controlled entity of the Group, and proportionate consolidation accounting was adopted to proportionately consolidate its results. Moreover, this annual results is of 12 months ended 31 December 2007, whereas, given the Group had changed its financial year end date from 31 July to 31 December, the last corresponding annual result was of 17 months from 1 August 2005 to 31 December 2006 (the "Last Period").

During the Period, the Group recorded a turnover of approximately HK$677 million and the turnover of Last Period was approximately HK$370 million, ceteris paribus, on a year-to-year basis, turnover of the Group was increased by about 51%. The reason for such increase was mainly due to the increase in sale of piped natural gas, and the additional contribution from the new projects. The Group's profit attributed to the shareholder was approximately HK$72.6 million for the Period, and approximately HK$57.3 million for Last Period, increased by about 80% on a year-to-year basis. Fully diluted earning per share was HK$1.9 cents.

BUSINESS REVIEW

During the Period, the Group's total gas sales volume reached 580 million cubic meter (m^3), increased by 21% on a year to year basis as compared to 480 million m^3 for the Last Period, among the gas consumption, 53% (2006: 47%) was commercial and industrial consumption; 28% (2006: 35%) was government and public utility consumption; 9% (2006: 9%) was household consumption and 11% (2006: 9%) was supplied to traffic. Overall gross margin were improved from 22% to 25% due to the slight increase in the gas selling price and better gross margin of the CNG stations business. The Group's turnover contributed by CCNG amounted to HK$599 million accounting for 88% of the total turnover of the Group, where addition of HK$78 million were contributed by the new projects mainly from the CNG stations business and Nanchang gas project.

The Group's operating and administrative expenses for the Period was approximately HK$64 million (Last Period: HK$33.1 million); year-to-year increased by 46% due to the increase in the due diligent and marketing expenses for acquiring new projects and developing new markets including the absorption of the start up costs of the new projects. Finance costs were also increased due to absorption of the associated financial costs of approximately HK$7.2 million derived from the liabilities portion of the convertible notes in the principal amount of HK$156 million issued during the Period, where actual coupon interest for the convertible notes was HK$0.6 million.

Business development

2007 was the springboard for the development of the Group's gas business. Since the business restructuring in 2006, we together with our business partner – CPP and CCNG completely focus on the Group's natural gas market development.

In July 2007, the Group increased its equity interest in its major piped city gas operation joint venture, CCNG, from 50% to 51%, hence CCNG had become a subsidiary of the Group. The 1% increase is meaningful and significant to the Group. It represents the unanimous consensus between the Group and CPP on the future development and strategy of the natural gas business, and more important it represents the trust, confidence and support from our business partner – CPP.

During the Period, the Group, through CCNG, increased its equity interest in Liling China Oil and Gas Co. Ltd. from 40% to 60%. The Liling gas operation is fast growing and will become another successful piped gas project. The Group had largely increased its gas supply during the Period; gas sale volume of Liling gas operation achieved 100 million m^3 of which over 95% was supplied to the ceramic industry.

By acquisition of the CNG stations projects, the Group broadened its business into the CNG stations business, commenced CNG operations in Shandong, Anhui, and Nanjing. The Group's CNG gas stations had gas sale volume of approximately 65 million m^3 accounting for 11% of the Group total gas sale volume. The CNG stations business will have more contribution in 2008, since some of the stations were only running for a few months, and there will be five more stations coming into operation, while the Nanjing gas operation had also secured the supply of natural gas to a local commercial and industrial district.

The Group had also completed the construction of its LNG plant in Qinghai with trial production commenced at the end of the Period. The Group's market position was further enhanced as the LNG production together with newly formed gas transportation and logistic services greatly increased the mobility and coverage of our natural gas supply for markets and areas without the reach of gas pipelines, and the Group was able to extend its city gas business to Jiangxi Nanchang and Pingxiang, and Jiangsu Rugao.

The Group also acquired two important new piped gas projects in Qinghai Gan He Industrial district (甘河工業區) and Guangdong Chaozhou. Industries like ceramic, chemical fertilizer, and steel which have huge demand for natural gas will be the key customers. Starting to supply gas in 2010, the aggregate gas volume of these 2 projects could exceed 2 billion m^3 annually, whereas the Group had already secured sufficient gas supply for these projects.

Business Prospects

Along with China's strong economy development, the energy demand will remain high and continue to increase, where natural gas has gradually become a major green energy source in the PRC, and according to the country planning, the application of natural gas is expected to boost up to 17% of total energy consumption by 2010. Large amount of imported gas will be supplied to China and major gas pipelines including the 2nd Western-to-Eastern Pipeline and the Sichuan-to-East Pipeline projects are confirmed for this mission.

We see the next five years would be the second evolution for China's natural gas development since the first western-to-eastern pipeline project. It will also be an evolution for the Group's natural gas business since the formation of our first gas business joint venture with CPP. Our goal is clear, we will adhere to our business strategy for horizontally and vertically expansion, rationalized on our strength and advantages in reliable gas sources, experience and expertise, connections and support from our partners to seize this opportunity to develop the Group as a leading gas and energy company, and play a major part in China's natural gas market.

Employees and Remuneration Policy

As at 31 December 2007, the Group employed a total workforce of approximately 480 (2006: 340) among which 9 employees (2006: 9) were stationed in Hong Kong and the remaining were stationed in the PRC. The staff costs for the year amounted to approximately HK$17.6 million (2006: HK$9.44 million). The employees' remuneration, promotion and salary are assessed based on work performance, working experience and professional qualifications and the prevailing market practice.

Pledge of Assets

As at 31 December 2007, certain pipelines and the operation right of one of the gas operations in the PRC were pledged to secure a bank loan of approximately HK$77 million (2006: HK$10 million).

Contingent Liability

As at 31 December 2007, CCNG provided a financial guarantee on a loan granted to its subsidiary to the extent of approximately RMB44 million (2006: HK$70 million).

Save for the disclosed above, the Group did not have other significant contingent liabilities.

Foreign Exchange and Interest Rate Exposure

Since the Group's sales are denominated in Renminbi, and investments are mostly made in Hong Kong Dollars, the Group does not anticipate material foreign exchange exposure and risk, and no foreign exchange and interest rate risk management or related hedges were made, proper policy will be in place when the Board considers appropriate.

Litigation

As at 31 December 2007, the Group has no litigation.

LIQUIDITY AND FINANCIAL RESOURCES

Capital Investment Commitments

In December 2006, the Group entered into an agreement with New Stamina Investments Limited ("New Stamina") to acquire 80% of Plentigreat Holdings Limited ("Plentigreat") at the consideration of HK$133 million of which HK$67 million was settled in cash and HK$66 million was settled by the issue of convertible notes of the Company ("Nanjing CNG Acquisition"). The Plentigreat group is engaged in the investments and operation of CNG stations business in Nanjing and Jiangsu. The Nanjing CNG Acquisition was completed in February 2007.

In December 2006, the Group entered into an agreement with Sino Vantage Management Limited ("Sino Vantage"), a company wholly owned by Mr. Xu Tie-liang ("Mr. Xu"), the chairman and substantial shareholder of the Company to acquire the entire interest of Vast China Group Limited ("Vast China") at the consideration of HK$196.4 million, of which HK$10.4 million was settled in cash, HK$90 million was settled by the issue of convertible notes of the Company and 400,000,000 shares of the Company were issued as consideration shares ("Anhui CNG Acquisition"). The Anhui CNG Acquisition was a connected and major transaction which had been duly approved by the independent shareholders of the Company in May 2007. Vast China Group is principally engaged in the investments and operation of CNG gas stations business in Anhui Maanshan.

In May 2007, the Group, through its wholly owned subsidiary, entered into a capital contribution agreement with CCNG, pursuant to which, the Group contributed RMB20 million in the capital of CCNG, and the Group will through its subsidiaries, hold 51% effective interest in CCNG. The transaction was completed in July 2007.

In June 2007, CCNG entered into an agreement to acquire an addition 20% of Liling China Oil and Gas Co. Ltd. ("Liling Gas") at the consideration of RMB35 million. The acquisition was completed in July 2007, and CCNG increased its equity interest in Liling Gas from 40% to 60%.

In August 2007, the Company, through its wholly-owned subsidiary and CCNG entered into agreements with independent third parties to acquire the entire equity interest of Ming Sheng Hong Kong Limited (which holds 76.35% interest in Nanchang Ruisheng Natural Gas Co., Limited (lately renamed as 'Nanchang China Oil and Gas Co., Ltd.') ("Nanchang Ruisheng") and 80% interest in Changbei Ruisheng Natural Gas Co., Limited at a total consideration of RMB60.4 million, and CCNG acquires the 23.65% equity interest in Nanchang Ruisheng at a total consideration of RMB8.1 million. The total consideration of RMB68.5 million was settled in cash ("Nanchang Acquisition"). The Nanchang Acquisiton was completed in October 2007.

The Company also agreed with the government of Pingxiang to invest and operate piped gas business in Pingxiang, Jiangxi. The Company has agreed to invest RMB70 million in the Pingxiang gas project and will supply gas to the local industries, mainly to the ceramic industry.

In September 2007, CCNG agreed with the Rugao government to invest and operate piped gas business in Rugao city in Jiangsu. CCNG has agreed to invest, at first stage, RMB50 million on the Rugao gas project.

On 27 November 2007, CCNG and Chaozhou Development Department of Guangdong entered into the Chaozhou City Gas Framework Agreement, pursuant to which, Chaozhou Government shall grant to CCNG an operation right for the operation of city natural gas in Chaozhou city on the condition of secured supply of natural gas for Chaozhou. Afterward, on 5 December 2007, the People's Government of Chaozhou, Guangdong and Petrochina Company Limited ("Petrochina") entered into the Gas Supply Framework Agreement, pursuant to which, Petrochina agrees to supply two billion m^3 natural gas to Chaozhou annually and CCNG shall be the exclusive gas operator for the downstream sale and distribution of the natural gas in Chaozhou. The Group agreed, through CCNG, to invest and develop the piped natural gas project in Chaozhou. The total investment of the Chaozhou gas project is estimated to be RMB800 million to RMB1 billion over different stages.

Subsequent to the balance sheet date, CCNG acquired the piped gas project in Qinghai Gan He Industrial district, the investment for this project is estimated to be approximately RMB200 million and will supply gas mainly to the large industrial customers.

Save for the abovementioned acquisition and investments, the Group did not incur or commit other material investment or capital expenditure.

Borrowings

In February 2007, the Company issued convertible note in the principal amount of HK$66 million to New Stamina at a conversion price of HK$0.24 per share convertible into 275,000,000 new shares of HK$0.01 each in the capital of the Company as part of the consideration for the Nanjing CNG Acquisition.

In March 2007, the Company issued convertible note in the principal amount of HK$90 million to Sino Vantage at a conversion price of HK$0.24 per share convertible into 375,000,000 new shares of HK$0.01 each in the capital of the Company to Sino Vantage as part of the consideration for the Ahnui CNG Acquisition.

As at 31 December 2007, the Group had total borrowings of approximately HK$159 million (2006: HK$52.8 million), representing the bank borrowings and loans for the gas operations of CCNG, of which approximately HK$77 million represented bank borrowings secured by one of the gas operation right and its pipelines, and HK$31.2 million was unsecured loan bearing interest from 2.28% to 2.55% per annum, and HK$35 million was unsecured loan bearing an effective interest of 4.78% repayable in 5 years.

Save for the borrowings of CCNG and the convertible notes, the Group has no other bank loans, overdraft or borrowings.

Capital Structure

In January 2007, the Company had issued 360,000,000 shares under the placing agreement entered with SBI E-2 Capital Securities Limited ("SBI") in December 2006, and a net proceeds of approximately HK$104 million was raised.

In March 2007, the Company issued 400,000,000 shares as consideration shares to Sino Vantage under the Anhui CNG Acquisition.

In May 2007, Mr. Xu entered into a placing agreement with SBI and the Company, and a subscription agreement with the Company for a top-up placing and subscription of 550,000,000 shares of the Company. The entire top-up placing and subscription of new shares was completed in June 2007, and the Company had issued 550,000,000 shares and raised a net proceeds of approximately HK$640 million.

As at 31 December 2007, the Group had total assets of approximately HK$2.2 billion (2006: HK$492.5 million), and current assets were approximately HK$1.1 billion (2006: HK$306 million) of which cash and bank balance was HK$840 million. Total liabilities of the Group was approximately HK$644 million (2006: HK$160 million), and current liabilities were approximately HK$414 million (2006: HK$119 million). The Group's gearing ratio, measured on the basis of total liabilities as a percentage of total equity, was 43% (2006: 48%). The current ratio of the Group was 2.62 (2006: 2.58) and quick ratio was 2.56 (2006: 2.51).

In October and November 2007, the Company repurchased a total of 12,440,000 shares of HK$0.01 each in the capital of the Company at prices ranging from HK$0.78 to HK$0.81 per share in the open market for an aggregate amount of approximately HK$9.9 million.

Xu Tie-liang
Chairman

Hong Kong, 25 April 2008

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Xu Tie-liang, aged 44, the Chairman of the Company, graduated from the Xi'an Shiyou University (西安石油大學) majoring in finance and accounting, and he is also a registered certified public accountant and lawyer in the PRC. He was an independent director of Hua Xia Bank Co., Limited, a company listed on the Shanghai Stock Exchange and Shandong ShengLi Company Limited, a company listed on Shenzhen Stock Exchange. He was also directors of various companies specializing in investments in oil and energy businesses and provision of legal and management consultancy services. Mr. Xu worked as an accountant in the subsidiaries of China National Petroleum Corporation ("CNPC") and worked in various governmental legal departments in the PRC. He had been the vice chairman and general manager of China Legal Service (Hong Kong) Limited and vice chairman of China Law Magazine Limited. Mr. Xu has extensive experience in investments, merger and acquisition, legal, accounting and finance, and corporate governance aspects.

Mr. Qu Guo-hua, aged 56, the chief executive officer of the Company, graduated from South West Petroleum University (西南石油大學) in 1987 and graduated from Air Force Logistic Institute (空軍後勤學院) in July 2000. He is a senior engineer, working for China Petroleum Pipeline Bureau (中國石油天然氣管道局) as a pipeline expert. Mr. Qu is also a representative of the Thirteenth Session of the National People's Congress of Xiling and a member of Qinghai Provincial Committee of the Chinese People's Political Consultative Conference. He has been a managing director of China City Natural Gas Co., Ltd, a 51% equity interest owned by the Company, since 2002. He was working in the subsidiaries of CNPC since 1968, as the chief operating officer and deputy operating manager etc. He is responsible for organize and supervise the ground surface construction works of the oilfields of CNPC and construction works of the long distance pipelines. He had participated and organized Shanghai City natural gas distribution and supply work, and the water and gas pipeline construction work for Suzhou Industrial Park as well as construction of large oil storage tank in Zhoushan. Mr. Qu has extensive experience in the petroleum and gas industries, as well as expertise on the construction of oil and gas pipeline network.

Mr. Cheung Shing, aged 55, an executive Director of the Company and a member of the Remuneration Committee and the Nomination Committee of the Company. He has been a staff of 中國石油齊魯石化煉油廠, the department president of 中國石油勝利油田 and the president of 中國石油中原油田 during the period between 1969 and 1993. He has been the chairman of each of 華中(香港)有限公司, 河南省盛華石油化工有限公司 and Liaoning Xinmin Petroleum Company Limited during the period between 1993 and 2004. He is currently a petroleum and natural gas management economist (石油天燃氣集團管理經濟師). Mr. Cheung is currently an executive director and deputy chairman of Sino Union Petroleum & Chemical International Limited, a company listed on the Stock Exchange.

Mr. Zeng Xiao, age 42, an executive Director of the Company, graduated from University of International Business and Economics in Beijing, the PRC in 1987, major in international economics and management. Mr. Zeng was directors of various companies, and has extensive experience in investment and corporate business management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Yunlong, aged 56, an independent non-executive Director of the Company, the chairman of the Audit Committee and Remuneration Committee and a member of the Nomination Committee of the Company. Mr. Li graduated from the Accounting School of Zhongnan University of Economics and Law（中南財經政法大學會計學院）with a Bachelor Degree in Economics. Mr. Li is a registered certified public accountant in the PRC. Mr. Li had been working at the National Audit Office of the PRC for over 10 years in various audit departments, and he is currently a partner of Hua Wen CPA Ltd（華聞會計師事務所）in the PRC. He is the financial consultants of various companies in the PRC, and an independent director of Tuopai Yeast Liquor Co. Ltd. Sichuan (四川沱牌曲酒股份有限公司), a company listed on the Shanghai Stock Exchange. He has extensive experience in legal, accounting, auditing and finance aspects.

Mr. Cheung Man Yau, Timothy, aged 49, an independent non-executive Director of the Company, is currently a practising accountant and an associate of Hong Kong Institute of Certified Public Accountants and a fellow of the Chartered Association of Certified Accountants. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He has more than 24 years of extensive experience in the finance field and previously worked for a number of international accounting firms and listed companies in Hong Kong. Mr. Cheung graduated from the University of Hong Kong with a Bachelor of Arts degree. He is currently an independent non-executive director of Argos Enterprise (Holdings) Limited, a company listed on the Stock Exchange. He had been an independent non-executive director of Kamboat Group Co., Limited during the period from 27 September 2004 to 29 August 2005, a company listed on the Stock Exchange.

Mr. Shi Xun-zhi, aged 73, an independent non-executive Director of the Company and a member of the Audit Committee of the Company. He is a deputy minister and a professor senior engineer. He has been awarded the Youth and Mature Scientist with outstanding contributions by the State Council. He graduated from Petroleum Institute of Beijing (renamed as China University of Petroleum, Beijing)（中國石油大學）in 1956 in the profession of petroleum geology. He worked as geology engineer, associate director of the technology division, director of human resources division, supervisor in the Ministry of Petroleum Industry of the PRC (renamed as CNPC); CNPC President's Special Assistant and also a member of the Ninth Chinese People's Political Consultative Conference. He has been the Chairman of CNPC Sino-Russian Oil & Gas Corporation Committee and the chairman of China National Oil & Gas Exploration and Development Corporation（中國石油勘探開發公司）and chairman of CNPA-Alberta Petroleum Center（中國加拿大阿爾伯特石油中心）and responsible for the pipelines works between China and Russia, and worked on the overseas petroleum exploration and development as well as international cooperation work. He is currently the Co-Chairman of Northeast Asian Gas And Pipeline Forum and the President of Asia Gas & Pipeline Cooperation.

Mr. Peng Long, aged 44, an independent non-executive Director of the Company, the chairman of the Nomination Committee of the Company and a member of the Audit Committee and the Remuneration Committee of the Company. He is Dean of School of International Business, Beijing Foreign Studies University, since June 2001. Mr. Peng is at the same time a director of International Finance and Commerce Institute (IFCI), Beijing Foreign Studies University, Deputy Director of International Business English Studies Committee, China Association of International Trade, independent director of Nanjing Landsea Co. Ltd, and Adjunct Professor in Business School of Beijing University of Posts and Telecommunications. He was also an independent director of Super Shine Co. Ltd, a company listed on the Shenzhen Stock Exchange. In 1997, Mr. Peng graduated from Institute of Systems Science, Chinese Academy of Science, with a doctor degree jointly offered by Chinese Academy of Science and University of Wyoming, USA. He then worked as a post-doctor in Guanghua School of Management, Beijing University, focusing his research on finance, option pricing and finite element method, and enjoyed Government Special Allowance from China State Council.

Report of the Directors

The Board of Directors of the Company is pleased to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in investments in natural gas and energy related businesses.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2007 and the state of affairs of the Group as at that date are set out in the consolidated financial statements on pages 25 to 103.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2007 (2006: Nil).

2008 ANNUAL GENERAL MEETING

The 2008 Annual General Meeting of the Company ("2008 AGM") will be held on Monday, 26 May 2008.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders entitled to attend and vote at the 2008 AGM, the register of members of the Company will be closed from Thursday, 22 May 2008 to Monday, 26 May 2008, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 21 May 2008.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 104. This summary does not form part of the audited financial statements.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activities and geographical area of operations for the year ended 31 December 2007 is set out in note 7 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

CONVERTIBLE NOTES

Details of the convertible notes of the Company are set out in note 34 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movement in the Company's share capital, share options during the year under review, together with the reasons therefor, are set out in notes 30 and 31 to the financial statements.

SHARE OPTION SCHEMES

Share options have been granted to eligible participates under the share option scheme of the Company adopted on 31 January 2002, details of which are set out in note 31 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2007, the Company purchased 12,440,000 shares of HK$0.01 each in the capital of the Company at prices ranging from HK$0.78 to HK$0.81 per share on The Stock Exchange of Hong Kong (the "Stock Exchange"). Details of the repurchases are as follows:

Month/Year	Number of shares repurchased	Purchase price per share Highest	Lowest	Aggregate purchase consideration
		HK$	HK$	HK$
October 2007	1,860,000	0.81	0.80	1,492,000
November 2007	10,580,000	0.80	0.78	8,398,254
Total:	12,440,000			9,890,254

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2007.

DISTRIBUTABLE RESERVES

As at 31 December 2007, no reserve of the Company was available for distribution to shareholders of the Company. In addition, the Company's share premium account will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales attributable to the Group's major suppliers and customers are as follows:

	2007	2006
	%	%
Purchases		
– the largest supplier	**22.0**	40.0
– five largest supplier combines	**37.0**	43.0
Turnover		
– the largest customer	**0.5**	10.0
– five largest customers combined	**2.0**	18.0

None of the Directors or any of their associates (as defined in the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange) or any shareholders (who, to the knowledge of the Directors, own more than 5% of the Company's share capital) had any beneficial interests in the Group's five largest customers or five largest suppliers.

DIRECTORS

The Directors of the Company during the period and up to the date of this report are as follows:

Executive Directors

XU Tie-liang *(Chairman)*
Qu Guo-hua *(Chief Executive Officer)*
Cheung Shing
Zeng Xiao

Independent Non-Executive Directors

LI Yunlong (appointed on 18 April 2008)
CHEUNG Man Yau, Timothy
SHI Xun-zhi
PENG Long

In accordance with the Company's Bye-law 86(2), Mr. Li Yunlong was appointed by the Board after the 2007 annual general meeting of the Company, and therefore shall retire and, being eligible, offers himself for re-election at the 2008 AGM.

In accordance with the Company's Bye-law 87, Mr. Qu Guo-hua, Mr. Zeng Xiao and Mr. Shi Xun-zhi shall retire from office as Directors by rotation at the 2008 AGM and being eligible, offer themselves for re-election.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors, an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' SERVICE CONTRACTS

The Company entered into a service contract with each of Mr. Xu Tie-liang and Mr. Qu Guo-hua on 30 August 2006 for an initial fixed term of two years commenced on 1 September 2006 and shall continue thereafter until it is terminated pursuant to the terms of the respective service contract.

Save as disclosed above, none of the Directors who are proposed for re-election at the 2008 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section headed "Connected Transaction" below, no Director had a significant beneficial interest, either directly or indirectly, in any contract of significant to the business of the Group to which the Group or its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 31 December 2007, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), are set out below:

Interests in shares, underlying shares and debentures of the Company

Name of Director	Capacity	Long position/ Short position	*Notes*	Number of ordinary shares held	Number of underlying shares held	Percentage of the Company's issued share capital
Xu Tie-liang	Interest in a controlled corporation	Long position	1	321,018,300	–	8.41%
	Interest in a controlled corporation	Long position	2	400,000,000	–	10.48%
			2	–	375,000,000	9.82%

Notes:

1. These 321,018,300 ordinary shares of the Company are held through Sino Advance Holdings Ltd., a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Xu Tie-liang.

2. Sino Vantage Management Limited, a company wholly and beneficially owned by Mr. Xu Tie-liang, was interested in 400,000,000 ordinary shares of the Company and the derivative of 375,000,000 ordinary shares of the Company derived from a convertible note in the principal amount of HK$90,000,000 issued by the Company which is convertible into 375,000,000 ordinary shares of the Company. Mr. Xu Tie-liang is therefore deemed to be interested in the said ordinary shares and derivative.

Save as disclosed above, none of the Directors or chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company which were recorded on the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2007.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2007, the interests or short positions of every person in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

Interests in the shares and underlying shares of the Company

Name of shareholder	Capacity	Long position/ Short position	*Notes*	Number of ordinary shares held	Number of underlying shares held	Percentage of the Company's issued share capital
Sino Advance Holdings Ltd. ("Sino Advance")	Beneficial owner	Long position	1	321,018,300	–	8.41%
Sino Vantage Management Limited ("Sino Vantage")	Beneficial owner	Long position	2	400,000,000	–	10.48%
	Beneficial owner	Long position	2	–	375,000,000	9.82%
New Stamina Investments Limited ("New Stamina")	Beneficial owner	Long position	3	–	275,000,000	7.20%
Lo Chung	Interest in a controlled corporation	Long position	3	–	275,000,000	7.20%
	Family interest	Long position	4	16,000,000	–	0.42%

Notes:

1. Sino Advance, a company incorporated in the British Virgin Islands with limited liability is wholly and beneficially owned by Mr. Xu Tie-liang. Hence, Mr. Xu is deemed to be interested in 321,018,300 ordinary shares of the Company owned by Sino Advance.

2. Sino Vantage was interested in 400,000,000 ordinary shares and the derivative of 375,000,000 ordinary shares of the Company derived from a convertible note in the principal amount of HK$90,000,000 issued by the Company which is convertible into 375,000,000 ordinary shares of the Company. Sino Vantage is a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Xu Tie-liang.

3. New Stamina was interested in the derivative of 275,000,000 shares of the Company derived from a convertible note in the principal amount of HK$66,000,000 issued by the Company which is convertible into 275,000,000 ordinary shares of the Company. New Stamina is a company incorporated in the British Virgin Islands and is wholly and beneficially owned by Mr. Lo Chung, and therefore, Mr. Lo Chung is deemed to be interested in the said derivative.

4. These 16,000,000 ordinary shares are held by the spouse of Mr. Lo Chung, and therefore, Mr. Lo Chung is deemed to be interested in these shares.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code.

CONNECTED TRANSACTION

On 15 December 2006, All Praise Investments Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Sino Vantage Management Limited, a company wholly and beneficially owned by Mr. Xu Tie-liang, Chairman of the Company, for the sale and purchase of the entire issued share capital and shareholder's loan in Vast China Group Limited ("Vast China") at a total consideration of HK$196,370,793 for the natural gas business in Anhui Maanshan. The consideration was satisfied partly in cash in the amount of HK$10,370,793, partly by the issue and allotment of 400,000,000 ordinary shares of the Company and the issue of a convertible note in the principal amount of HK$90,000,000. The transactions contemplated under the agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. A special general meeting was convened and held on 15 March 2007 to approve the agreement and transactions contemplated thereunder.

Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the period and up to the date of this report.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 18 to 22 of the annual report.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") in 1998. The Audit Committee comprises four independent non-executive Directors, namely Mr. Li Yunlong (as Chairman), Mr. Cheung Man Yau, Timothy, Mr. Shi Xun-zhi and Mr. Peng Long. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2007.

AUDITORS

Ernst & Young resigned as auditors of the Company with effect from 22 March 2005 and KLL Associates CPA Ltd. was appointed as auditors of the Company to fill the vacancy with effect from 6 May 2005. Following the merger of practices by KLL Associates CPA Ltd. with BDO McCabe Lo Limited, KLL Associates CPA Ltd. resigned with effect from 20 September 2005 and BDO McCabe Lo Limited was appointed as auditors of the Company to fill the vacancy with effect from 14 November 2005 and resigned on 26 April 2006. At the special general meeting of the Company held on 30 May 2006, Ting Ho Kwan & Chan was appointed as auditors of the Company to fill the vacancy arising from the resignation of BDO McCabe Lo Limited. Save as disclosed above, there were no changes in auditors during the past three years.

A resolution will be submitted to the 2008 AGM to re-appoint Ting Ho Kwan & Chan as auditors of the Company.

On behalf of the Board
China Oil And Gas Group Limited
Xu Tie-liang
Chairman

Hong Kong, 25 April 2008

Corporate Governance Report

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules, which came into effect on 1 January 2005.

During the year ended 31 December 2007, the Company was in compliance with the code provisions set out in the CG Code except that code provision A.4.1 of the CG Code provides that the non-executive Directors should be appointed for a specific term. The non-executive Directors of the Company were not appointed for a specific term but they are subject to the provision for retirement by rotation under the Bye-laws of the Company.

Save as the aforesaid and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code for the year ended 31 December 2007.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. All the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The management was delegated the authority and responsibility by the Board for the management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

The Board currently consists of eight Directors including four executive Directors and four independent non-executive Directors:

Executive Directors

Mr. XU Tie-liang *(Chairman)*
Mr. QU Guo-hua *(Chief Executive Officer)*
Mr. CHEUNG Shing
Mr. ZENG Xiao

Independent non-executive Directors

Mr. LI Yunlong
Mr. CHEUNG Man Yau, Timothy
Mr. SHI Xun-zhi
Mr. PENG Long

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board and has met the recommended practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 9 to 10 under the section headed "Biographical Details of Directors".

The Board decides on corporate strategies, approves overall business plans and evaluates the Group's financial performance and management. Specific tasks that the Board delegates to the Group's management include the implementation of strategies approved by the Board, the monitoring of operating budgets, the implementation of internal controls procedures, and the ensuring of compliance with relevant statutory requirements and other rules and regulations.

Chairman and Chief Executive Officer

The two positions are held separately by two individuals to ensure their respective independence, accountability and responsibility. Mr. Xu Tie-liang, the Chairman, is in-charge of the management of the Board and strategic planning of the Group. Mr. Qu Guo-hua, the Chief Executive Officer, is responsible for the day-to-day management of the Group's business.

Non-executive Directors

The four independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of accounting and finance. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives an annual confirmation of his independence to the Company, and the Company considers each of them to be independent under Rule 3.13 of the Listing Rules.

The four independent non-executive Directors are not appointed for specific term and are subject to retirement by rotation in accordance with the Bye-laws of the Company.

Board Meetings

The Board has four scheduled meetings a year at quarterly interval and additional meetings will be held as and when required. The four scheduled Board meetings for a year are planned in advance. During the regular meetings of the Board, the Board reviewed the operation and financial performance and reviewed and approved the annual and interim results.

During the year ended 31 December 2007, the Board held nineteen meetings. All Directors are given an opportunity to include any matters in the agenda for regular Board meetings, and are given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Director	Number of attendance
XU Tie-liang	19/19
QU Guo-hua	19/19
CHEUNG Shing	19/19
ZENG Xiao	19/19
CHEUNG Man Yau, Timothy	19/19
SHI Xun-zhi	19/19
PENG Long	19/19

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

NOMINATION OF DIRECTORS

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the natural gas industry and/or other professional area.

The Company established a Nomination Committee (the "Nomination Committee") with written terms of reference, on 15 March 2006 and currently consists of three independent non-executive Directors, namely Mr. PENG Long (as chairman), Mr. CHEUNG Man Yau, Timothy and Mr. LI Yunlong, and one executive Director, namely Mr. CHEUNG Shing.

The function of the Nomination Committee are reviewing and supervising the structure, size and composition of the Board, identifying qualified individuals to become members of the Board, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors.

During the year ended 31 December 2007, the Nomination Committee held one meeting to assess the independency of the independent non-executive Directors and consider the re-election of Directors.

Name of member	Number of attendance
PENG Long	1/1
CHEUNG Man Yau, Timothy	1/1
CHEUNG Shing	1/1

REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee (the "Remuneration Committee) with written terms of reference, on 13 January 2006 and currently consists of three independent non-executive Directors, namely Mr. LI Yunlong (as chairman), Mr. CHEUNG Man Yau, Timothy and Mr. PENG Long, and one executive Director, namely Mr. CHEUNG Shing.

The functions of the Remuneration Committee are establishing and reviewing the policy and structure of the remuneration for the Directors and senior management.

During the year ended 31 December 2007, the Remuneration Committee held one meeting for reviewing the remuneration packages of the Directors and senior management.

Name of member	Number of attendance
CHEUNG Man Yau, Timothy	1/1
PENG Long	1/1
CHEUNG Shing	1/1

The Company has adopted a share option scheme on 31 January 2002. The purpose of the share option scheme is to enable the Board to grant options to selected eligible participants to motivate them and to optimize their performance and efficiency for the benefit of the Group. Details of the share option scheme are set out in the Report of the Directors. The emolument payable to Directors will depend on their respective contractual terms under the employment agreements, if any, and as recommended by the Remuneration Committee. Details of the Directors' remuneration are set out in note 10 to the financial statements.

AUDIT COMMITTEE

The Company established an Audit Committee (the "Audit Committee") in 1998. The Audit Committee of the Company currently comprises four independent non-executive Directors, namely Mr. LI Yunlong (as chairman), Mr. CHEUNG Man Yau, Timothy, Mr. SHI Xun-zhi and Mr. PENG Long.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the quarterly, interim and annual reports and accounts of the Group; and overseeing the Company's financial reporting system and internal control procedures.

Terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the CG Code.

The Audit Committee meets the external auditors at least two times a year to discuss any area of concern during the audits or review. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

During the year ended 31 December 2007, the Audit Committee held two meetings.

Name of member	**Number of attendance**
CHEUNG Man Yau, Timothy	2/2
SHI Xun-zhi	2/2
PENG Long	2/2

During the year ended 31 December 2007, the Audit Committee reviewed the annual and interim results of the Group together with the Auditors of the Company, which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules. The Audit Committee noted the existing internal control system of the Group and also noted that review of the same will be carried out annually.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditors, Ting Ho Kwan & Chan, is set out below:-

Services rendered	**Fee paid/payable** HK$'000
Audit services	1,080
Non-audit services	300
	1,380

SHAREHOLDER RIGHTS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Bye-laws of the Company. Details of such rights to demand a poll were included in the circular to shareholders in relation to the holding of general meeting and explained during the proceedings of the meetings.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Company attended the 2007 annual general meeting to answer questions of the meeting.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim results and reports to all shareholders;
- Publication of announcements on the annual and interim results on the websites of the Company and the Stock Exchange, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board of Directors acknowledges its responsibility to prepare the Company's financial statements for each financial period which gives a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2007, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

INTERNAL CONTROL

Management had implemented a system of internal control to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purpose and investment and business risks affecting the Group are identified and managed.

During the year ended 31 December 2007, the Board has conducted a review of the system of internal control to ensure the effectiveness and adequacy of the system. The Board shall conduct such review at least once annually.

Independent Auditor's Report

TING HO KWAN & CHAN
Certified Public Accountants
9th Floor, Tung Ning Building,
249-253 Des Voeux Road C., Hong Kong.

TO THE SHAREHOLDERS OF
CHINA OIL AND GAS GROUP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of China Oil And Gas Group Limited (the "Company") set out on pages 25 to 103, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

TING HO KWAN & CHAN
Certified Public Accountants (practising)

Hong Kong, 25 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	01.01.2007 To 31.12.2007 HK$'000	01.08.2005 To 31.12.2006 HK$'000
Continuing operations			
Turnover	6	**677,372**	369,914
Cost of sales		**(507,685)**	(290,305)
Gross profit		**169,687**	79,609
Other income and gains, net	8	**53,790**	47,401
Selling and distribution costs		**(11,676)**	(5,831)
Administrative expenses		**(64,037)**	(33,130)
Other expenses		**–**	(7,263)
Operating profit		**147,764**	80,786
Finance costs	9	**(19,812)**	(9,121)
Share of profits of associates of a jointly controlled entity		**1,970**	1,981
Share of losses of associates		**(475)**	–
Profit before taxation		**129,447**	73,646
Taxation	12	**(15,639)**	(7,319)
Profit for the year/period from continuing operations		**113,808**	66,327
Discontinued operations			
Profit from discontinued operations	13	**–**	1,824
Profit for the year/period	14	**113,808**	68,151
Attributable to:			
Equity holders of the Company		**72,622**	57,342
Minority interests		**41,186**	10,809
		113,808	68,151
Earnings per share	17		
From continuing and discontinued operations			
– Basic		**2.07 cents**	3.05 cents
– Diluted		**1.93 cents**	N/A
From continuing operations			
– Basic		**2.07 cents**	2.95 cents
– Diluted		**1.93 cents**	N/A

The notes on pages 33 to 103 are an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment	18	**513,578**	109,142
Leasehold land and land use rights	19	**24,932**	3,778
Goodwill	20	**558,305**	58,188
Other intangible assets	21	**1,803**	–
Interests in associates	24	**–**	14,076
Available-for-sale financial assets	25	**1,542**	1,092
Total non-current assets		**1,100,160**	186,276
Current assets			
Leasehold land and land use rights	19	**594**	88
Inventories	26	**27,292**	8,154
Financial assets at fair value through profit or loss	27	**16,219**	36,026
Deposits, trade and other receivables	28	**202,285**	96,559
Tax recoverable		**695**	–
Cash and cash equivalents	29	**839,166**	165,417
Total current assets		**1,086,251**	306,244
Total assets		**2,186,411**	492,520
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	30	**38,172**	25,197
Reserves		**1,217,000**	286,157
		1,255,172	311,354
Minority interests		**287,013**	21,213
Total equity		**1,542,185**	332,567

Consolidated Balance Sheet

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current liabilities			
Bank and other borrowings	33	**79,110**	38,743
Convertible notes	34	**145,332**	–
Deferred tax liabilities	35	**5,420**	2,646
Total non-current liabilities		**229,862**	41,389
Current liabilities			
Trade and other payables	36	**316,162**	95,919
Bank and other borrowings	33	**80,147**	14,088
Convertible notes	34	**604**	–
Tax payable		**17,451**	8,557
Total current liabilities		**414,364**	118,564
Total liabilities		**644,226**	159,953
Total equity and liabilities		**2,186,411**	492,520
Net current assets		**671,887**	187,680
Total assets less current liabilities		**1,772,047**	373,956

Xu Tie-liang
Director

Qu Guo-hua
Director

The notes on pages 33 to 103 are an integral part of these financial statements.

Balance Sheet

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Non-current asset			
Interests in subsidiaries	22	**1,254,652**	195,005
Current assets			
Deposits and other receivables		**–**	34,627
Cash and cash equivalents	29	**8,174**	47,420
Total current assets		**8,174**	82,047
Total assets		**1,262,826**	277,052
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	30	**38,172**	25,197
Reserves	32	**1,074,698**	250,602
Total equity		**1,112,870**	275,799
Non-current liability			
Convertible notes	34	**145,332**	–
Current liabilities			
Other payables		**4,020**	1,253
Convertible notes	34	**604**	–
		4,624	1,253
Total liabilities		**149,956**	1,253
Total equity and liabilities		**1,262,826**	277,052
Net current assets		**3,550**	80,794
Total assets less current liabilities		**1,258,202**	275,799

Xu Tie-liang
Director

Qu Guo-hua
Director

The notes on pages 33 to 103 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

Group	Attributable to equity holders of the Company								
	Issued share capital	Share premium account	Capital redemption reserve	Other capital reserve	Convertible notes reserve	Exchange fluctuation reserve	Accumulated losses	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 August 2005	17,347	918,478	675	–	177	61	(765,963)	12,960	183,735
Exercise of share options	700	3,360	–	–	–	–	–	–	4,060
Issue of shares	7,150	68,150	–	–	–	–	–	–	75,300
Release of convertible notes reserve upon redemption of convertible notes	–	–	–	–	(177)	–	–	–	(177)
Currency realignment	–	–	–	–	–	–	–	638	638
Exchange adjustment arising from translation of financial statements of a jointly controlled entity not recognised in the consolidated income statement	–	–	–	–	–	4,054	–	–	4,054
Reclassification	–	–	–	–	–	–	–	182	182
Capitalisation of retained profits of a jointly controlled entity by increase of registered capital of a jointly controlled entity	–	–	–	11,813	–	–	(11,813)	–	–
Acquisition of minority interests	–	–	–	–	–	–	–	(14)	(14)
Minority interest arising from acquisition of subsidiaries	–	–	–	–	–	–	–	682	682
Dividend paid to minority interests	–	–	–	–	–	–	–	(4,044)	(4,044)
Profit for the period	–	–	–	–	–	–	57,342	10,809	68,151
At 31 December 2006	25,197	989,988	675	11,813	–	4,115	(720,434)	21,213	332,567

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

Group	Issued share capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Other capital reserve HK$'000	Convertible notes reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Minority interests HK$'000	Total HK$'000
	Attributable to equity holders of the Company								
At 31 December 2006	25,197	989,988	675	11,813	–	4,115	(720,434)	21,213	332,567
Effect of acquisition of further interest in a jointly controlled entity which is then recognised as a subsidiary	–	–	–	11,813	–	–	(11,813)	190,056	190,056
Shares issued upon placement of shares, net of issuing expenses	9,100	737,289	–	–	–	–	–	–	746,389
Issue of shares in consideration for acquisition of interests in subsidiaries	4,000	92,000	–	–	–	–	–	–	96,000
Repurchase of own shares	(125)	(9,766)	125	–	–	–	(125)	–	(9,891)
Currency realignment	–	–	–	–	–	20,791	–	2,185	22,976
Recognition of equity component of convertible notes	–	–	–	–	17,907	–	–	–	17,907
Acquisition of minority interests	–	–	–	–	–	–	–	(7,361)	(7,361)
Minority interests arising from acquisition of subsidiaries	–	–	–	–	–	–	–	49,092	49,092
Dividend paid to minority interests	–	–	–	–	–	–	–	(9,358)	(9,358)
Profit for the year	–	–	–	–	–	–	72,622	41,186	113,808
At 31 December 2007	38,172	1,809,511*	800*	23,626*	17,907*	24,906*	(659,750)*	287,013	1,542,185

* These reserve accounts comprise the consolidated reserves of HK$1,217,000,000 (2006: HK$286,157,000) in the consolidated balance sheet.

The notes on pages 33 to 103 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Notes	01.01.2007 To 31.12.2007 HK$'000	01.08.2005 To 31.12.2006 HK$'000
Cash flows from operating activities			
Profit for the year/period		**113,808**	68,151
Adjustments for:			
Taxation		**15,639**	7,211
Finance costs		**19,812**	9,121
Interest income		**(22,365)**	(1,360)
Dividend income		**(14)**	(100)
Share of profits of associates of a jointly controlled entity		**(1,970)**	(1,981)
Share of losses of associates		**475**	–
Bad debt written off		**29**	–
Amortisation of other intangible assets		**41**	–
Impairment losses of available-for-sale financial assets		**–**	4,758
Reversal of allowance for impairment of bad and doubtful debts		**–**	(2,304)
Provision for obsolete and slow moving inventories		**–**	(4)
Depreciation of property, plant and equipment		**27,520**	10,315
Amortisation of leasehold land and land use rights		**565**	140
Release of convertible notes reserve upon redemption of convertible notes		**–**	(177)
Loss on disposal of property, plant and equipment and leasehold land and land use rights		**1,253**	886
Loss on disposal of a subsidiary	37(c)	**–**	1,270
Gain on disposal of discontinued operations	37(d)	**–**	(3,090)
Gain on disposal of an associate of a jointly controlled entity		**–**	(7,240)
Gain on disposal of available-for-sale financial assets		**–**	(251)
Gain on disposal of financial assets at fair value through profit or loss		**(5,801)**	(2,558)
Fair value losses/(gains) on financial assets at fair value through profit or loss		**4,660**	(23,404)
		153,652	59,383
Changes in working capital:			
Increase in available-for-sale financial assets		**(450)**	–
Decrease in financial assets at fair value through profit or loss		**20,948**	6,546
Decrease in inventories		**22,091**	4,327
Decrease in deposits, trade and other receivables		**51,473**	3,587
(Decrease)/increase in trade and other payables		**(13,077)**	47,830
Cash generated from operations		**234,637**	121,673
Taxation (paid)/refunded		**(8,241)**	660
Net cash generated from operating activities		**226,396**	122,333

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Notes	01.01.2007 To 31.12.2007 HK$'000	01.08.2005 To 31.12.2006 HK$'000
Cash flows from investing activities			
Interest received		**22,365**	1,360
Dividend received		**14**	100
Purchases of property, plant and equipment and leasehold land and land use rights		**(158,066)**	(21,073)
Proceeds from disposal of property, plant and equipment and leasehold land and land use rights		**1,838**	6,302
Net cash inflow from disposal of discontinued operations	37(d)	**–**	69
Net cash outflow on acquisition of subsidiaries	37(a)	**(481,365)**	(40,800)
Proceeds from disposal of an associate of a jointly controlled entity		**–**	17,434
Proceeds from disposal of a subsidiary	37(c)	**–**	7,900
Effect on acquisition of further interest in a jointly controlled entity which is then recognised as a subsidiary	37(b)	**102,731**	–
Proceeds from disposal of available-for-sale financial assets		**–**	670
Net cash used in investing activities		**(512,483)**	(28,038)
Cash flows from financing activities			
Interest paid		**(11,969)**	(9,081)
Net cash inflow from minority interests		**–**	594
New borrowings raised		**16,036**	14,088
Repayment of borrowings		**(37,451)**	(32,752)
Dividend paid to minority interests		**(9,358)**	(4,044)
Redemption of convertible notes		**–**	(4,000)
Proceeds from issue of convertible notes		**156,000**	–
Proceeds from exercise of share options		**–**	4,060
Proceeds from placing and issue of shares, net of issuing expenses		**842,389**	64,800
Payment for repurchase of own shares		**(9,890)**	–
Net cash generated from financing activities		**945,757**	33,665
Net increase in cash and cash equivalents		**659,670**	127,960
Cash and cash equivalents at beginning of the year/period		**165,417**	35,721
Effect of foreign exchange rate changes		**14,079**	1,736
Cash and cash equivalents at end of the year/period	29	**839,166**	165,417

The notes on pages 33 to 103 are an integral part of these financial statements.

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability. Its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 28 May 1993. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is Suite 2805, 28th Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong.

2. STATEMENT OF COMPLIANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The consolidated financial statements have been prepared under the historical cost convention, as modified by revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5.

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Group. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries and a jointly controlled entity made up to 31 December.

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsidiaries *(continued)*

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less any accumulated impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Associates

The Group's and its jointly controlled entity's investments in their associates are accounted for under the equity method of accounting. These associates are entities over which the Group or its jointly controlled entity has significant influence over their management, including participation in the financial and operating policy decision, generally accompanying a shareholding of between 20% and 50% of the voting rights and which are neither subsidiaries nor jointly controlled entities.

The investments in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's or its jointly controlled entity's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the Group's or its jointly controlled entity's share of the results of operations of the associates. The Group's and the jointly controlled entity's interests in their associates include goodwill (net of accumulated impairment) on acquisition, which is treated in accordance with the accounting policy for goodwill stated below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Associates *(continued)*

When the Group's or jointly controlled entity's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating parties and whereby the Group together with the parties undertake an economic activity which is subject to joint control and none of the parties has unilateral control over the economic activity.

The Group's interests in jointly controlled entity are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries/associates/jointly controlled entities at the date of acquisition. Goodwill on acquisitions of associates and jointly controlled entities is included in interests in associates and jointly controlled entities respectively. Goodwill on acquisition of subsidiaries are shown separately in the consolidated balance sheet. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses and is not amortised. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

(ii) Exclusive rights

Exclusive rights are shown at historical cost. Exclusive rights have definite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of exclusive rights over their estimated useful lives of 48 years for natural gas supply services.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial year in which they are incurred.

Property, plant and equipment, other than construction in progress, are depreciated at the following annual rates sufficient to write off their costs less any accumulated impairment losses and residual values (if any) over their estimated useful lives. The principal annual rates and methods used for this purpose are as follows:

Buildings	4%-8% on the straight line basis
Leasehold improvements	Over the lease terms
Plant and machinery	15% on the reducing balance basis
	5%-33.3% on the straight line basis
Pipelines	5% on the straight line basis
Motor vehicles	25% on the reducing balance basis
	10%-20% on the straight line basis
Furniture, fixtures and equipment	15%-20% on the reducing balance basis
	5%-20% on the straight line basis
Tools and moulds	33.3% on the straight line basis

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

The assets' residual values (if any) and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the income statement in the period the item is derecognised.

Construction in progress represents pipelines under construction and is stated at cost less any accumulated impairment losses, and is not depreciated. Costs comprise direct and indirect incremental costs of acquisition or construction. Completed items are transferred from construction in progress to proper categories of property, plant and equipment when they are ready for their intended use.

Leasehold land and land use rights

Leasehold land and land use rights are lump sum upfront payments to acquire long-term interest in lessee-occupied properties.

Leasehold land and land use rights relating to buildings of the Group are stated at cost and are amortised over the period of the lease on the straight line basis to the income statement.

Investments

Investments are recognised and derecognised on the trade date when the Group commits itself to purchase or sell an asset and are initially measured at fair value plus, in the case of the investments other than trading securities, transaction costs. At each balance sheet date, the Group assesses whether there is any objectives evidence that an investment or group of investments is impaired, such as a significant or prolonged decline in the fair value of an investment in an equity investment below its cost. Investments other than investments in subsidiaries, associates and jointly controlled entities are further categorised into the following classifications for the measurement after initial recognition.

(i) Financial assets at fair value through profit or loss

Investments in securities held for trading are classified as financial assets at fair value through profit or loss included in current assets and are stated in the balance sheet at fair value. Any attributable transaction costs and gain or loss on the fair value changes of financial assets at fair value through profit or loss are recognised in profit or loss.

(ii) Held-to-maturity investments

Investment in debt securities with fixed or determinable payments and fixed maturity that the Company has the position intention and ability to hold to maturity are classified as held-to-maturity investments, which are measured at amortised cost using the effective interest method, less impairment losses, if any.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments *(continued)*

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of raw material is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less all costs to completion and all direct costs to be incurred in selling and distribution. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials.

Trade and other receivables

Trade and other receivables are initially recognised at fair value, and after initial recognition, at amortised cost less any allowance for impairment of bad and doubtful debts, except for the following receivables:

– interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less any allowance for impairment of bad and doubtful debts, and

– short-term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any allowance for impairment of bad and doubtful debts.

Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities (other than investments in subsidiaries, associates and jointly controlled entities: see note (ii) below) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– a significant financial difficulty of the debtors;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtors; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets *(continued)*

(i) Impairment of investments in debt and equity securities and other receivables *(continued)*

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

- For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowable account. When the Company is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets *(continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– leasehold land and land use rights classified as being held under an operating lease;

– intangible assets;

– investments in subsidiaries, associates and joint ventures (except for those classified as held for sale or included in a disposal group that is classified as held for sale); and

– goodwill

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets *(continued)*

(ii) Impairment of other assets *(continued)*

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and on hand, demand deposits with bank and other financial institutions, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

Trade and other payables

Trade and other payables are initially measured at fair value. Except for financial guarantee liabilities (if any) measured in accordance with accounting policy stated below, trade and other payables are subsequently stated at amortised cost, except for the following payables:

– short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount; and

– interest free loans from related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Bank and other borrowings

Bank and other borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Bank and other borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Bank and other borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Convertible notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

An initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to accumulated losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the year-end closing rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and the costs, if applicable, can be measured reliably. Revenue is recognised in profit or loss as follows:

(i) Sales of goods

Sales of goods are recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(ii) Sales of natural gas

Sales of natural gas are recognised when the goods are delivered and title has passed.

(iii) Gas connection fee income

Gas connection fee income is recognised when the relevant connection works are completed and connection services are rendered.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(v) Consultancy fee and transportation income

Consultancy fee and transportation income are recognised when the services are rendered.

(vi) Dividend income

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

Employee benefits

(i) Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme in Hong Kong (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Company's subsidiaries and jointly controlled entity in Mainland China are members of the Central Pension Scheme operated by the Chinese government. The subsidiaries and jointly controlled entity are required to contribute a certain percentage of their covered payroll to the Central Pension Scheme to fund the benefits. The only obligation for the Group with respect to the Central Pension Scheme is the required contributions, which are charged to the income statement in the year to which they relate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

(ii) Employee entitlements

Employee entitlements to annual leave and long service payment are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave and long service payment as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (ie. the guarantor) to make specified payment to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note (iii) below if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, i.e. the amount initially recognised, less accumulated amortisation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial guarantees issued, provisions and contingent liabilities *(continued)*

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note (iii) below. Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note (iii) below.

(iii) Other provisions and contingent liabilities

Provision are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Income taxes

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates (and laws) enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets also arise from unused tax losses and unused tax credits.

Deferred tax asset is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

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

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payment made under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight line basis over the period of the lease.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

  (1) controls, is controlled by, or is under common control with, the Group;

  (2) has an interest in the Group that gives its significant influence over the Group; or

  (3) has joint control over the Group;

(ii) the party is a jointly controlled entity;

(iii) the party is an associate;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenues, expenses, assets, liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidated process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Segment reporting *(continued)*

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings, tax balances, corporate and financing expenses.

4. ADOPTION OF NEW ACCOUNTING POLICIES

The HKICPA has issued certain new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the accounting current period of the Group.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, "Financial Instruments: Disclosures" and the amendments to HKAS 1, "Presentation of financial statements: Capital disclosures", there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, "Financial Instruments: Disclosure and Presentation". These disclosures are provided throughout these financial statements, in particular in note 43.

The amendments to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's objectives, policies and processes for managing capital. These new disclosures are set out in note 44.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective for the current accounting period (see note 47).

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's management makes assumptions, estimates and judgements in the process of applying the Group's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with HKFRS. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions 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.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 3. The recoverable amounts of cash-generating units have been determined based on value-in use calculations. These calculations require the use of estimates (note 20).

(ii) Fair value estimation

The carrying value less impairment provision, if any, for financial assets and liabilities with a maturity of less than one year, is a reasonably approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(b) Critical judgements in applying the entity's accounting policies

Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 on determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

6. TURNOVER

Turnover represents the net amounts received and receivable for pipe connection services, transportation services and sales of goods and natural gas. Analysis of the Group's turnover for the year/period is as follows:

	Group	
	01.01.2007 To 31.12.2007 HK$'000	01.08.2005 To 31.12.2006 HK$'000
Continuing operations:		
Turnover from pipe connection services, transportation services, sales of goods and natural gas	**677,372**	369,914

7. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by business segment, and (b) on a secondary segment reporting basis, by geographical segment.

Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

Continuing Operations:

- Natural gas business

Discontinued Operations:

- Manufacture and trading of silicone rubber products; and
- Investment in internet and information technology activities

Details of the discontinued operations are disclosed in note 13 to the financial statements.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. The principal activities of the Group are mainly managed in The People's Republic of China (PRC).

7. SEGMENT INFORMATION *(continued)*

(a) Business segments

Segment revenues and results

For the year ended 31 December 2007

No business segment information in respect of the Group's operation has been presented as all the Group's turnover was derived from natural gas business.

For the period from 1 August 2005 to 31 December 2006

	Continuing operations	Discontinued operations		
	Natural gas business	**Manufacturing and trading of silicone rubber products**	**Investment in internet and information technology**	**Group**
	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	369,914	–	–	369,914
Results	68,853	26	(1,400)	67,479
Unallocated income	28,163	–	–	28,163
Unallocated expenses	(25,351)	–	–	(25,351)
Share of profits of associates	1,981	–	–	1,981
Gain on disposal of discontinued operations	–	3,090	–	3,090
Profit before taxation	73,646	3,116	(1,400)	75,362
Taxation	(7,319)	108	–	(7,211)
Profit for the period	66,327	3,224	(1,400)	68,151

7. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Other segment information included in the income statement are as follows:

For the period from 1 August 2005 to 31 December 2006

	Continuing operations	Discontinued operations		
	Natural gas business	Manufacturing and trading of silicone rubber products	Investment in internet and information technology	Group
	HK$'000	HK$'000	HK$'000	HK$'000
Depreciation of property, plant and equipment	10,104	211	–	10,315
Amortisation of leasehold land and land use rights	137	–	3	140

Segment assets and liabilities

	Assets		Liabilities	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Natural gas business	**N/A**	369,653	**N/A**	154,917
Unallocated	**N/A**	122,867	**N/A**	5,036
Consolidated	**N/A**	492,520	**N/A**	159,953

Capital expenditure

	01.01.2007 To 31.12.2007	01.08.2005 To 31.12.2006
	HK$'000	HK$'000
Natural gas business (including goodwill arising from acquisition of natural gas business)	**N/A**	83,098
Unallocated	**N/A**	496
	N/A	83,594

7. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

No geographical segment information in respect of the Group's operation as its revenues are primarily generated in the PRC and its major assets are located in the PRC.

8. OTHER INCOME AND GAINS, NET

	Group	
	01.01.2007 To 31.12.2007 HK$'000	01.08.2005 To 31.12.2006 HK$'000
Other income and gains, net		
Consultancy fee income	**8,734**	–
Interest income	**22,365**	1,360
Dividend income from available-for-sale financial assets		
– listed shares outside Hong Kong	**–**	100
– listed shares in Hong Kong	**14**	–
Gain on disposal of an associate of a jointly controlled entity	**–**	7,240
Gain on disposal of available-for-sale financial assets	**–**	251
Gain on disposal of financial assets at fair value through profit or loss	**5,801**	2,558
Fair value gains on financial assets at fair value through profit or loss	**–**	23,404
Reversal of allowance for impairment of bad and doubtful debts	**–**	2,304
Gain on exchange	**366**	669
Others	**16,510**	9,515
	53,790	47,401

9. FINANCE COSTS

	Group	
	01.01.2007 To 31.12.2007 HK$'000	01.08.2005 To 31.12.2006 HK$'000
Interest on:		
Bank borrowings	**3,238**	1,595
Other borrowings		
– not wholly repayable within five years	**270**	73
– wholly repayable within five years	**8,441**	6,828
Securities trading account	**20**	526
Convertible notes (note 34)	**7,843**	99
	19,812	9,121

10. DIRECTORS' REMUNERATION

Details of the directors' remuneration were as follows:

	Group	
	01.01.2007 To 31.12.2007 HK$'000	01.08.2005 To 31.12.2006 HK$'000
Fees	**360**	–
Salaries, allowances and benefits in kind	**5,451**	3,278
Retirement benefits scheme contributions	**12**	18
	5,823	3,296

10. DIRECTORS' REMUNERATION *(continued)*

Details of remuneration of directors for the year ended 31 December 2007 were as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
Xu Tie-liang	–	4,500	12	4,512
Qu Guo-hua	–	681	–	681
Zeng Xiao	–	120	–	120
Cheung Shing	–	150	–	150
Independent non-executive directors:				
Cheung Man Yau, Timothy	120	–	–	120
Shi Xun-zhi	120	–	–	120
Peng Long	120	–	–	120
Total	360	5,451	12	5,823

For the year ended 31 December 2007, no remuneration was waived by any executive directors. For the period ended 31 December 2006, two executive directors had agreed to waive their remuneration of HK$2,123,200.

10. DIRECTORS' REMUNERATION *(continued)*

Details of remuneration of directors for the financial period from 1 August 2005 to 31 December 2006 were as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
Xu Tie-liang	–	800	4	804
Qu Guo-hua	–	120	–	120
Zeng Xiao	–	110	–	110
Cheung Shing	–	110	–	110
Wong Kui Shing, Danny*	–	1,616	–	1,616
Wong King Shiu, Daniel*	–	317	14	331
Independent non-executive directors:				
Cheung Man Yau, Timothy	–	85	–	85
Shi Xun-zhi	–	10	–	10
Peng Long	–	110	–	110
Total	–	3,278	18	3,296

* They were resigned on 30 August 2006.

For the year/period ended 31 December 2007 and 31 December 2006, no remuneration was paid by the Group to any of the directors as an inducement to join, or upon joining the Group or as compensation for loss of office.

11. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest remunerations in the Group, two (2006: three) were directors of the Group whose emoluments are included in the disclosures in note 10 above. The emoluments of the remaining three (2006: two) individuals were as follows:

	Group	
	01.01.2007 To 31.12.2007 HK$'000	01.08.2005 To 31.12.2006 HK$'000
Salaries, allowances and benefits in kind	**1,850**	1,516
Retirement benefits scheme contributions	**36**	34
	1,886	1,550

The number of employee whose remuneration fell within the following band were as follows:

	Number of employees	
	01.01.2007 To 31.12.2007	01.08.2005 To 31.12.2006
HK$Nil to HK$1,000,000	**3**	2

In addition to the above, there were no share options granted to employees under the Company's share option scheme during the year (2006: Nil).

No emoluments were paid or payable to the above highest paid individuals as an inducement to join the Group or as compensation for loss of office during the financial year/period ended 31 December 2007 and 31 December 2006.

12. TAXATION

Pursuant to the income tax rules and regulations of the PRC, provision for PRC enterprise income tax is calculated based on a statutory rate of 33% of the assessable profit of the companies within the Group, except for certain subsidiaries in PRC were entitled to preferential tax treatments, which are taxed at preferential rate of 18%.

No provision for Hong Kong profits tax has been made for those companies subject to Hong Kong profits tax within the Group as these subsidiaries did not have any assessable profits for the year (2006: Nil).

	Group	
	01.01.2007 To 31.12.2007 HK$'000	01.08.2005 To 31.12.2006 HK$'000
Current tax:		
Hong Kong Profits Tax	**–**	307
Taxation outside Hong Kong	**15,841**	4,258
Deferred tax:		
Deferred taxation relating to the origination and reversal of temporary differences (note 35)	**(202)**	2,646
Taxation charge	**15,639**	7,211
Attributable to:		
Continuing operations	**15,639**	7,319
Discontinued operations (note 13)	**–**	(108)
	15,639	7,211

12. TAXATION *(continued)*

A reconciliation of the tax expense applicable to profit/(loss) before taxation using the statutory rates for the countries in which the Company, its subsidiaries and a jointly controlled entity are domiciled to the tax expense using the domestic taxation rates applicable to the profit/(loss) of the consolidated companies is as follows:

	Group	
	01.01.2007 To 31.12.2007 HK$'000	01.08.2005 To 31.12.2006 HK$'000
Profit/(loss) before taxation		
– Continuing operations	**129,447**	73,646
– Discontinued operations (note 13)	**–**	(1,374)
	129,447	72,272
Tax calculated at the domestic tax rate of 17.5% (2006: 17.5%)	**22,653**	12,648
Tax effect of income not subject to taxation	**(32,909)**	(13,752)
Tax effect of expenses not deductible for tax purpose	**16,537**	6,008
Tax effect of tax losses not recognised	**2**	2,064
Tax effect of utilisation of previously unrecognised tax losses	**–**	(6)
Tax effect of unrecognised temporary differences for the year/period	**(202)**	–
Effect of different tax rates of a jointly controlled entity and its subsidiaries	**9,558**	42
Underprovision of taxation	**–**	(440)
Taxation charge	**15,639**	7,211

13. DISCONTINUED OPERATIONS

(a) Disposal of silicone rubber business

On 14 February 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of its entire interest in the Golite International Limited and its subsidiary, which are mainly engaged in the business of manufacturing and trading of silicone rubber products. On the same date, the disposal was completed.

Disposal of investment in internet and information technology activities

On 28 December 2006, the Company entered into a sale and purchase agreement with an independent third party to dispose of its interest in Hikari Tsushin Investments Holdings (BVI) Limited and its subsidiaries, which are principally engaged in the business of investment in internet and information technology activities. The disposal is consistent with the Group's long-term policy to focus its principal activities in natural gas business. The disposal was completed on 30 December 2006.

13. DISCONTINUED OPERATIONS *(continued)*

(b) The combined results arising from discontinued operations (ie. silicone rubber business, investment in internet and information technology activities) are set out below.

	Group	
	01.01.2007 To 31.12.2007 HK$'000	01.08.2005 To 31.12.2006 HK$'000
Turnover	**–**	–
Other gains	**–**	48
	–	48
Expenses	**–**	(1,422)
Loss before taxation	**–**	(1,374)
Taxation	**–**	108
	–	(1,266)
Gain on disposal of discontinued operations	**–**	3,090
Profit for the year/period from discontinued operations	**–**	1,824

(c) **Cash flows from discontinued operations**

	Group	
	01.01.2007 To 31.12.2007 HK$'000	01.08.2005 To 31.12.2006 HK$'000
Net cash outflows from operating activities	**–**	(265)
Net cash inflows from investing activities	**–**	1,296
Net cash flows from financing activities	**–**	–
	–	1,031

14. PROFIT FOR THE YEAR/PERIOD

This has been arrived at after charging and (crediting):

	Group			
	01.01.2007 to 31.12.2007		01.08.2005 to 31.12.2006	
	Continuing operations HK$'000	**Discontinued operations HK$'000**	Continuing operations HK$'000	Discontinued operations HK$'000
Staff costs (excluding directors' remuneration (note 10)):				
Salaries and wages	**17,638**	**–**	8,968	–
Retirement benefits scheme contributions	**159**	**–**	503	(50)
	17,797	**–**	9,471	(50)
Minimum lease payments under operating leases for leasehold land and buildings	**2,998**	**–**	3,301	–
Auditors' remuneration	**1,080**	**–**	1,005	–
Depreciation of property, plant and equipment	**27,520**	**–**	10,104	211
Bad debt written off	**29**	**–**	–	–
Amortisation of leasehold land and land use rights	**565**	**–**	137	3
Loss/(gain) on disposal of property, plant and equipment and leasehold land and land use rights	**1,253**	**–**	(350)	1,236
Loss on disposal of a subsidiary	**–**	**–**	1,270	–
Impairment losses of available-for-sale financial assets	**–**	**–**	4,758	–
Fair value losses on financial assets at fair value through profit or loss	**4,660**	**–**	–	–
Amortisation of other intangible assets	**41**	**–**	–	–

15. DIVIDEND

No dividend was paid or proposed during the current financial year, nor has any dividend been proposed since the balance sheet date (2006: Nil).

16. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss for the year attributable to equity holders of the Company dealt with in the financial statements of the Company amounted to HK$13,334,000 (For the period from 1 August 2005 to 31 December 2006: profit of HK$35,409,000).

17. EARNINGS PER SHARE

(a) Basic earnings per share

	01.01.2007 To 31.12.2007 Cents per share	01.08.2005 To 31.12.2006 Cents per share
Basic earnings per share		
From continuing operations	**2.07**	2.95
From discontinued operations	**–**	0.10
Total basic earnings per share	**2.07**	3.05

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	01.01.2007 To 31.12.2007 HK$'000	01.08.2005 To 31.12.2006 HK$'000
Profit for the year/period attributable to equity holders of the Company	**72,622**	57,342
Profit for the year/period from discontinued operations used in the calculation of basic earnings per share from discontinued operations	**–**	(1,824)
Earnings used in the calculation of basic earnings per share from continuing operations	**72,622**	55,518

	01.01.2007 To 31.12.2007 Number of shares	01.08.2005 To 31.12.2006 Number of shares
Weighted average number of ordinary shares for the purposes of basic earnings per share	**3,510,968,433**	1,881,535,286

17. EARNINGS PER SHARE *(continued)*

(b) Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit attributable to equity holders of the Company of HK$80,465,000 and the weighted average of 4,160,968,433 ordinary shares in issue during the year, calculated as follows:

	01.01.2007 To 31.12.2007 HK$'000
Profit for the year attributable to equity holders of the Company (basic)	**72,622**
Effect of interest accrued on liability component of convertible notes	**7,843**
Profit for the year attributable to equity holders of the Company (diluted)	**80,465**

	01.01.2007 To 31.12.2007 Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**3,510,968,433**
Effect of conversion of convertible notes	**650,000,000**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,160,968,433**

18. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Pipelines HK$'000	Construction in progress HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Tools and moulds HK$'000	Total HK$'000
Cost									
At 1 August 2005	14,981	1,127	10,541	88,404	2,555	5,168	6,210	2,761	131,747
Currency realignment	703	–	23	817	125	165	93	7	1,933
Additions	5,146	379	181	14,184	2,452	1,073	840	492	24,747
Transfers	–	–	–	2,978	(4,368)	–	1,378	12	-
Disposals	(3,522)	(1,127)	(10,082)	–	(373)	(1,440)	(3,603)	(2,624)	(22,771)
At 31 December 2006	17,308	379	663	106,383	391	4,966	4,918	648	135,656
Currency realignment	1,787	–	101	11,312	543	468	516	67	14,794
Effect on acquisition of further interest in a jointly controlled entity which is then recognised as a subsidiary (note 22)	17,679	–	677	110,326	401	4,267	4,627	662	138,639
Acquisition of subsidiaries	486	–	1,126	130,772	36,739	7,102	1,960	–	178,185
Additions	1,162	–	211	35,205	62,226	34,679	10,519	1,545	145,547
Reclassification (note b)	575	–	–	–	–	143	(729)	11	–
Transfers	2,747	–	–	29,970	(35,326)	–	573	–	(2,036)
Disposals	(262)	–	–	(11)	–	(1,031)	(3,108)	(35)	(4,447)
At 31 December 2007	41,482	379	2,778	423,957	64,974	50,594	19,276	2,898	606,338
Accumulated depreciation and impairment									
At 1 August 2005	1,250	1,127	10,290	12,822	–	1,651	2,927	2,644	32,711
Currency realignment	40	–	10	668	–	41	–	1	760
Depreciation	938	17	103	7,502	–	706	1,024	25	10,315
Eliminated on disposals	(431)	(1,127)	(10,082)	–	–	(641)	(2,367)	(2,624)	(17,272)
At 31 December 2006	1,797	17	321	20,992	–	1,757	1,584	46	26,514
Currency realignment	186	–	36	2,208	–	150	131	5	2,716
Effect on acquisition of further interest in a jointly controlled entity which is then recognised as a subsidiary (note 22)	1,837	–	328	21,441	–	1,407	1,391	49	26,453
Acquisition of subsidiaries	–	–	87	9,002	–	1,453	371	–	10,913
Depreciation	1,532	207	184	19,308	–	3,338	2,402	549	27,520
Reclassification (note b)	15	–	–	127	–	(12)	(130)	–	–
Eliminated on disposals	(19)	–	–	–	–	(761)	(564)	(12)	(1,356)
At 31 December 2007	5,348	224	956	73,078	–	7,332	5,185	637	92,760
Net book value									
At 31 December 2007	36,134	155	1,822	350,879	64,974	43,262	14,091	2,261	513,578
At 31 December 2006	15,511	362	342	85,391	391	3,209	3,334	602	109,142

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

The analysis of the net book value of buildings is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Outside Hong Kong:		
– long leases	**31,688**	15,511
– medium-term leases	**4,446**	–
	36,134	15,511

Notes:

As at 31 December 2007,

(a) Certain gas pipelines at an aggregate cost of RMB122,451,000 (2006: RMB35,347,000) together with the natural gas operation right have been pledged to secure bank borrowing (note 33).

(b) Furniture, fixture and equipment were reclassified and shown under separate headings of leasehold buildings, motor vehicles and tools and moulds respectively. The reclassifications were made at their carrying amounts, with no financial impact on net assets and profit of the Group for the current and prior period.

19. LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2007	2006
	HK$'000	HK$'000
Cost		
At beginning of the year/period	**4,331**	5,631
Currency realignment	**595**	172
Effect on acquisition of further interest in a jointly controlled entity which is then recognised as a subsidiary	**3,750**	–
Additions	**12,519**	–
Acquisition of subsidiaries	**5,950**	659
Disposals	**–**	(2,131)
At end of the year/period	**27,145**	4,331
Accumulated amortisation and impairment losses		
At beginning of the year/period	**465**	478
Currency realignment	**50**	2
Effect on acquisition of further interest in a jointly controlled entity which is then recognised as a subsidiary	**509**	–
Acquisition of subsidiaries	**30**	–
Amortisation for the year/period	**565**	140
Disposals	**–**	(155)
At end of the year/period	**1,619**	465
Net book value		
At end of the year/period	**25,526**	3,866
Portion classified as current assets	**594**	88
Long term portion	**24,932**	3,778

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Outside Hong Kong on:		
– long leases	**18,339**	3,866
– medium-term leases	**7,187**	–
	25,526	3,866

20. GOODWILL

	Group	
	2007	2006
	HK$'000	HK$'000
Cost		
At beginning of the year/period	**58,188**	1,000
Additions upon acquisition of subsidiaries (note 37(a) and 37(b))	**500,117**	58,188
Derecognised upon disposal of a subsidiary	**–**	(1,000)
At end of the year/period	**558,305**	58,188
Accumulated impairment losses		
At beginning of the year/period	**–**	1,000
Derecognised upon disposal of a subsidiary	**–**	(1,000)
At end of the year/period	**–**	–
Carrying amount		
At end of the year/period	**558,305**	58,188

At the balance sheet date, the carrying amounts of goodwill represent goodwill arising from the acquisition of the following subsidiaries:

	2007	2006
	HK$'000	HK$'000
Accelstar Pacific Limited	**58,188**	58,188
Plentigreat Holdings Limited	**164,419**	–
Vast China Group Limited	**186,701**	–
Ming Sheng Hong Kong Limited	**68,929**	–
南昌中油燃氣有限責任公司	**10,255**	–
China City Natural Gas Co., Ltd	**6,917**	–
醴陵中油燃氣有限責任公司	**26,195**	–
湖南中油燃氣有限責任公司	**26,394**	–
濱州中油燃氣有限責任公司	**2,856**	–
安徽中油管道高佳燃氣有限公司	**7,451**	–
	558,305	58,188

In accordance with the Group's accounting policies, the Group has assessed the recoverable amount of goodwill arising from acquisition of the above subsidiaries by reference to the cash-generating unit's value in use and determined that such goodwill has not been impaired. The recoverable amounts for the cash-generating units were determined based on value-in-use calculations, which use cash flow projections based on financial budgets approved by management covering the operation period of the business with a discount rate of ranging from 14% to 18%. The discount rate used reflects specific risks relating to the business.

21. OTHER INTANGIBLE ASSETS

	Group	
	2007	2006
	HK$'000	HK$'000
Cost		
At beginning of the year/period	**–**	5,000
Addition upon acquisition of a subsidiary (Note a)	**1,926**	–
Currency realignment	**56**	–
Derecognised upon disposal of a subsidiary	**–**	(5,000)
At end of the year/period	**1,982**	–
Amortisation		
At beginning of the year/period	**–**	5,000
Effect on acquisition of a subsidiary	**134**	–
Currency realignment	**4**	–
Charge for the year/period	**41**	–
Derecognised upon disposal of a subsidiary	**–**	(5,000)
At end of the year/period	**179**	–
Carrying amount		
At beginning of the year/period	**–**	–
At end of the year/period	**1,803**	–

Note a: The other intangible assets arising from the acquisition of a subsidiary, 南昌中油燃氣有限責任公司 which was granted with exclusive rights to operate in gas pipeline infrastructure and natural gas supply services for 48 years.

22. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Amounts due from subsidiaries	**1,826,523**	586,791
Amounts due to subsidiaries	**(5,872)**	(5,787)
	1,820,652	581,005
Allowance for impairment of doubtful debts	**(566,000)**	(386,000)
	1,254,652	195,005

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayments. In the opinion of the directors, the amounts due will not be settled or repayable within 12 months of the balance sheet date and are therefore shown as non-current.

22. INTERESTS IN SUBSIDIARIES *(continued)*

The amounts due from subsidiaries of HK$1,758,449,000 (2006: HK$586,791,000) were impaired. The amount of allowance was HK$566,000,000 as at 31 December 2007 (2006: HK$386,000,000). It is assessed that a portion of the receivables is expected to be recovered. The individually impaired receivables mainly relate to subsidiaries which are in financial difficulties and they are of ages over several years. The other amounts due from subsidiaries do not contain impaired assets.

The movements on the allowance for impairment of doubtful debts are as follows:

	Company	
	2007	2006
	HK$'000	HK$'000
At beginning of the year/period	**386,000**	336,000
Impairment loss recognised	**180,000**	50,000
At end of the year/period	**566,000**	386,000

Details of the principal subsidiaries are as follows:

Name	**Place of incorporation/ registration and operations**	**Nominal value of issued share capital/ registered capital**	**Percentage of equity attributable to the Company**		**Principal activities**
			Directly	**Indirectly**	
Profaith Group Limited	British Virgin Islands/Hong Kong	US$1	100	–	Investment holding
All Praise Investments Limited	British Virgin Islands/Hong Kong	US$1	100	–	Investment holding
Alta Financial Holdings Limited	British Virgin Islands/Hong Kong	US$1,000	–	100	Investment holding

22. INTERESTS IN SUBSIDIARIES *(continued)*

Details of the principal subsidiaries are as follows:-continued

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Directly	Indirectly	
Best On Development Ltd	British Virgin Islands/Hong Kong	US$1	–	100	Investment holding
Real Million Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Winner Sheen Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Zhongda Industrial Group Inc.	British Virgin Islands/ Hong Kong	US$10,000	–	100	Investment holding
Accelstar Pacific Limited	British Virgin Islands/ Hong Kong	US$50,000	–	80	Investment holding
Qingyun Petro-Tech Co. Ltd.	PRC	HK$4,000,000	–	80	Investment and construction of natural gas station
濱洲賽德天然氣壓縮技術有限公司	PRC	US$630,000	–	80	Investment and construction of natural gas station

22. INTERESTS IN SUBSIDIARIES *(continued)*

Details of the principal subsidiaries are as follows:-continued

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Directly	Indirectly	
China Oil And Gas (Ping Xiang) Company Limited	PRC	HK$20,000,000	–	100	Trading of natural gas and gas pipeline construction
Plentigreat Holdings Limited	British Virgin Islands/ Hong Kong	US$10,000	–	100	Investment holding
南京潔寧燃氣有限公司	PRC	HK$ 15,000,000	–	100	Investment and construction of natural gas station
江蘇永潔燃氣有限公司	PRC	HK$5,000,000	–	100	Investment and construction of natural gas station
江蘇高佳物流有限公司	PRC	RMB 14,000,000	–	85	Transportation services
Vast China Group Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
馬鞍山高佳能源有限公司	PRC	HK$12,000,000	–	100	Trading of natural gas and gas pipeline construction
安徽中油管道高佳燃氣有限公司	PRC	RMB 18,000,000	–	80.4	Trading of natural gas and gas pipeline construction

22. INTERESTS IN SUBSIDIARIES *(continued)*

Details of the principal subsidiaries are as follows:-continued

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Directly	Indirectly	
China Oil And Gas (Shandong) Company Limited	Hong Kong	HK$1	–	100	Investment holding
Ming Sheng Hong Kong Limited	Hong Kong	HK$6,538	–	100	Investment holding
江西昌北瑞生燃氣有限公司	PRC	HK$20,000,000	–	80	Trading of natural gas and gas pipeline construction
南昌中油燃氣有限責任公司	PRC	RMB20,000,000	–	88.4	Trading of natural gas and gas pipeline construction
China City Natural Gas Co., Ltd	PRC	RMB150,000,000	–	51	Investment holding
醴陵中油燃氣有限責任公司	PRC	RMB30,000,000	–	30.6	Trading of natural gas and gas pipeline construction
湖南中油燃氣有限責任公司	PRC	RMB27,000,000	–	30.6	Trading of natural gas and gas pipeline construction

22. INTERESTS IN SUBSIDIARIES *(continued)*

Details of the principal subsidiaries are as follows:-continued

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Directly	Indirectly	
濱州中油燃氣有限責任公司	PRC	RMB20,000,000	–	40.8	Trading of natural gas and gas pipeline construction
惠民中油燃氣有限責任公司	PRC	RMB8,000,000	–	50.5	Trading of natural gas and gas pipeline construction
慶雲中油燃氣有限責任公司	PRC	RMB2,000,000	–	50	Trading of natural gas and gas pipeline construction
西寧中油燃氣有限責任公司	PRC	RMB65,874,000	–	40.8	Trading of natural gas and gas pipeline construction
青海中泰中油燃氣技術開發有限公司	PRC	RMB12,000,000	–	45.9	Production and trading of liquefied natural gas
西寧中油城市燃氣工程設計諮詢有限公司	PRC	RMB800,000	–	47.2	Gas pipeline design
西寧中油久安燃氣設備有限公司	PRC	RMB500,000	–	32.6	Trading of gas pipeline materials
青海宏利燃氣管道安裝工程有限責任公司	PRC	RMB15,000,000	–	40.8	Gas pipeline construction
青海中油壓縮天然氣銷售有限公司	PRC	RMB20,000,000	–	40.8	Trading of natural gas

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year/period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

23. INTERESTS IN A JOINTLY CONTROLLED ENTITY

(a) The following amounts represent the Group's proportionate share of the assets, liabilities, revenues and expenses of the jointly controlled entity and are included in the consolidated balance sheet and income statement as a result of proportionate consolidation:

	2007	2006
	HK$'000	HK$'000
Non-current assets	**–**	125,496
Current assets	**–**	183,005
Current liabilities	**–**	(106,461)
Non-current liabilities	**–**	(41,389)
Minority interests	**–**	(21,150)

	01.01.2007 To	01.08.2005 To
	30.06.2007	31.12.2006
	HK$'000	HK$'000
Income	**113,303**	389,276
Expenses	**(96,232)**	(327,228)
Share of profits of associates	**1,970**	1,981
Minority interests	**(3,738)**	(10,825)
Profit for the year/period	**15,303**	53,204

As at 31 December 2007, the Group's share of its jointly controlled entity's own capital commitments amounted to HK$Nil (2006: HK$4,692,000).

Pursuant to the conditional capital injection agreement dated 7 May 2007 entered into between a wholly owned subsidiary of the Company, Alta Financial Holdings Limited ("Alta") and a jointly controlled entity of the Company, China City Natural Gas Co., Ltd ("CCNG") in respect of the capital contribution. Alta has agreed to contribute an aggregate sum of RMB20,000,000 to the capital of CCNG, of which RMB3,060,000 was allocated to the registered capital account and RMB16,940,000 was allocated to the capital reserve account of CCNG. Upon completion of the capital contribution, the Company, through its wholly owned subsidiaries, Alta and Zhongda Industrial Group Inc., effectively owned a total of 51% of the equity interest in CCNG and CCNG then became the subsidiary of the Company (note 22). The goodwill of HK$6,917,000 arising from the above acquisition by capital injection has been included in note 20 to the financial statements.

23. INTERESTS IN A JOINTLY CONTROLLED ENTITY *(continued)*

(b) Details of the jointly controlled entity and its principal subsidiaries as at 31 December 2006 were as follows:

Name	Place of incorporation and operations	Principal activities	Percentage of ownership interests indirectly held by the Company
(a) Jointly controlled entity			
China City Natural Gas Co., Ltd	PRC	Investment holdings	50
(b) Principal subsidiaries of jointly controlled entity			
西寧中油燃氣有限責任公司	PRC	Trading of natural gas and gas pipeline construction	40
慶雲中油燃氣有限責任公司	PRC	Trading of natural gas and gas pipeline construction	49
濱州中油燃氣有限責任公司	PRC	Trading of natural gas and gas pipeline construction	49
惠民中油燃氣有限責任公司	PRC	Trading of natural gas and gas pipeline construction	49.5
西寧中油城市燃氣工程設計諮詢有限公司	PRC	Gas pipeline designation	46.25
西寧中油久安燃氣設備有限公司	PRC	Trading of gas pipeline materials	32
青海宏利燃氣管道安裝工程有限責任公司	PRC	Gas pipeline construction	39.8
青海中泰中油燃氣技術開發有限公司	PRC	Production and trading of liquefied natural gas	45

24. INTERESTS IN ASSOCIATES

	Group	
	2007	2006
	HK$'000	HK$'000
Share of net assets	**–**	14,292
Amount due from an associate	**–**	226
	–	14,518
Impairment losses	**–**	(442)
	–	14,076

The amount due was unsecured, interest free and had no fixed terms of repayments.

Details of the principal associates as at 31 December 2006 were as follows:

Name	Place of incorporation/ registration and operations	Principal activities	Percentage of ownership interests/voting rights/profit share
濱州中興燃氣有限責任公司 (i)	PRC	Trading of natural gas and gas pipeline construction	20
湖南中油燃氣有限責任公司 (ii)	PRC	Trading of natural gas and gas pipeline construction	20
醴陵中油燃氣有限責任公司 (iii)	PRC	Trading of natural gas and gas pipeline construction	20

(i) 濱州中油燃氣有限責任公司 and 濱州中興燃氣有限責任公司 are a subsidiary and an associate of CCNG respectively. CCNG is a jointly controlled entity of the Company in 2006 but became a subsidiary of the Company during the year (note 23). On 22 November 2007, CCNG entered into a capital injection agreement with another shareholder of 濱州中油燃氣有限責任公司 in respect of the capital contribution. CCNG has agreed to inject an aggregate sum of RMB9,100,000 to the capital of 濱州中油燃氣有限責任公司 in connection with the merger agreement dated on 22 November 2007 entered into between 濱州中油燃氣有限責任公司 and 濱州中興燃氣有限責任公司. Upon completion of the merger and the capital contribution, 濱州中興燃氣有限責任公司 was dissolved in accordance with the merger agreement and CCNG owns a total of 80% of the equity interest in 濱州中油燃氣有限責任公司. The goodwill of HK$2,856,000 arising from the above has been included in note 20 to the financial statements.

(ii) On 11 July 2007, a subsidiary of the Company, CCNG entered into a sale and purchase agreement with the shareholders of 湖南中油燃氣有限責任公司 to acquire a further 20% registered capital totaling of RMB5,400,000 with a consideration of RMB30,000,000. Upon completion of the agreement, CCNG owns a total of 60% of the equity interest in 湖南中油燃氣有限責任公司 which then became the subsidiary of the Company (note 22). The goodwill of HK$26,394,000 arising from the above acquisition has been included in note 20 to the financial statements.

(iii) On 19 June 2007, a subsidiary of the Company, CCNG entered into a sale and purchase agreement with the shareholders of 醴陵中油燃氣有限責任公司 to acquire a further 20% registered capital totaling of RMB6,000,000 with a consideration of RMB35,000,000. Upon completion of the agreement, CCNG owns a total of 60% of the equity interest in 醴陵中油燃氣有限責任公司 which then became the subsidiary of the Company (note 22). The goodwill of HK$26,195,000 arising from the above acquisition has been included in note 20 to the financial statements.

25. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2007	2006
	HK$'000	HK$'000
Equity investments listed outside Hong Kong, at market value	**1,092**	1,092
Unlisted debt securities in Hong Kong, at cost	**450**	–
	1,542	1,092

As at 31 December 2007, the fair value of available-for-sale financial assets amounted to HK$1,542,000 (2006: HK$1,092,000), for which impairment loss of HK$Nil (2006: HK$4,758,000) had been made in current financial year.

Unlisted debt securities of the Company are not stated at fair value but at cost less any accumulated impairment losses, because they do not have a quoted market price on active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

26. INVENTORIES

The following is an analysis of inventories at the balance sheet date:

	Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**10,048**	3,766
Work-in-progress	**16,556**	4,271
Finished goods and natural gas	**688**	117
	27,292	8,154

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	2006
	HK$'000	HK$'000
Listed equity investments, at market value:		
Hong Kong	**16,219**	36,026

As at 31 December 2007, approximately HK$3,554,000 (2006: HK$10,360,000) of the above financial assets at fair value through profit or loss were pledged to financial creditors to secure general facilities granted to the Group.

28. DEPOSITS, TRADE AND OTHER RECEIVABLES

	Group	
	2007	2006
	HK$'000	HK$'000
Trade receivables	**92,540**	41,940
Other receivables, deposits and prepayments	**109,745**	54,619
	202,285	96,559

The directors consider that the carrying amounts of deposits, trade and other receivables approximate to their fair values.

Included in trade receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2007	2006
Renminbi	**86,562,068**	41,677,000

At each of the balance sheet date, the Group's allowances for impairment of trade receivables were individually determined based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment allowances were recognised. All of the trade and other receivables are expected to be received or recognised as expense within one year.

The Group allows an average credit period ranging from 60 to 90 days to its trade customers and keeps monitoring its outstanding trade receivables. Overdue balances are regularly reviewed by senior management of the Group.

The ageing analysis of trade receivables is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Current to 90 days	**45,070**	15,927
91 to 180 days	**1,235**	213
Over 180 days	**46,235**	25,800
Total	**92,540**	41,940

28. DEPOSITS, TRADE AND OTHER RECEIVABLES *(continued)*

The ageing analysis of trade receivables that are not impaired is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Neither past due nor impaired	**45,070**	15,927
Past due but not impaired	**47,470**	26,013
Total	**92,540**	41,940

As at 31 December 2007, trade receivables of HK$47,470,000 (2006: HK$26,013,000) that were past due but not impaired relate to a number of independent customers for whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

The ageing analysis of these receivables is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
91 to 180 days	**1,235**	213
Over 180 days	**46,235**	25,800
Total	**47,470**	26,013

29. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand	**256,611**	120,240	**8,174**	2,243
Short term bank deposits	**582,555**	45,177	**–**	45,177
	839,166	165,417	**8,174**	47,420

The effective interest rate for short term bank deposits was approximately 2.5% per annum. The deposits have a maturity of ranging from 7 to 14 days.

Included in cash and cash equivalents in the balance sheet are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group		Company	
	2007	2006	**2007**	2006
USD	**12,219,000**	–	**–**	–
Renminbi	**220,314,000**	117,202,000	**–**	–

30. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 1 August 2005, 31 December 2006 and 31 December 2007	125,000,000,000	1,250,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1 August 2005	1,734,676,213	17,347
Share options exercised	70,000,000	700
Placing of shares	540,000,000	5,400
Issue of shares in consideration for acquisition of an interest in a subsidiary	175,000,000	1,750
Ordinary shares of HK$0.01 each at 31 December 2006	2,519,676,213	25,197
Placing of shares (note a)	360,000,000	3,600
Issue of shares in consideration for acquisition of interests in subsidiaries (note b)	400,000,000	4,000
Placing of shares (note c)	550,000,000	5,500
Shares repurchased (note d)	(12,440,000)	(125)
Ordinary shares of HK$0.01 each at 31 December 2007	3,817,236,213	38,172

30. SHARE CAPITAL *(continued)*

The movements in share capital were as follows:

(a) Pursuant to the placing agreement dated 21 December 2006 entered into between the Company and the Placing Agent, the Company agreed conditionally to issue and the placing agent conditionally agreed to place 360,000,000 new ordinary shares to at least 6 independent investors. On 19 January 2007, the Company allotted and issued 360,000,000 new ordinary shares at a placing price of HK$0.29 per share in accordance with the terms of the agreement. Net proceeds from such issue amounted to HK$103,608,000 (after offsetting issuing expenses of HK$792,000), out of which HK$3,600,000 and HK$100,008,000 were recorded in share capital and share premium respectively.

(b) On 15 December 2006, All Praise Investments Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with the vendor to acquire the 100% issued share capital of Vast China Group Limited for a total consideration of HK$186 million, which was to be satisfied as to HK$96 million by the issue of 400,000,000 shares ("consideration shares") at an issue price of HK$0.24 per consideration share and as to the remaining of HK$90 million by the issue of convertible note with an exercise price of HK$0.24 per conversion share. The consideration shares were issued on 20 March 2007 upon completion of the acquisition.

(c) Pursuant to the placing agreement dated 23 May 2007 entered into between the Company and the Placing Agent, the Company agreed conditionally to issue and the Placing Agent conditionally agreed to place 550,000,000 new ordinary shares to at least 6 independent investors. On 29 May 2007, the Company allotted and issued 550,000,000 new ordinary shares at a placing price of HK$1.2 per share in accordance with the terms of the agreement. Net proceeds from such issue amounted to HK$642,781,000 (after offsetting issuing expenses of HK$17,220,000), out of which HK$5,500,000 and HK$637,281,000 were recorded in share capital and share premium respectively.

(d) The Company repurchased its own shares on the Stock Exchange as follows:

Month of Repurchase	Number of ordinary shares	Price per ordinary share Highest	Lowest	Aggregate consideration paid
October 2007	1,860,000	HK$0.81	HK$0.80	HK$1,492,000
November 2007	10,580,000	HK$0.80	HK$0.78	HK$8,398,254

The above ordinary shares were subsequently cancelled. The premium paid on the repurchase of the shares of HK$9,766,000 was charged to share premium. The nominal value of the shares repurchased of HK$125,000 was transferred to the capital redemption reserve.

31. SHARE OPTION SCHEMES

Pursuant to a resolution passed by the shareholders on 31 January 2002, the Company adopted a new share option scheme (the "Scheme').

Under the Scheme, the board may at its discretion offer options to any eligible participant who is an employee, executive or officer of the Company or its subsidiaries (including executive and non-executive directors of the Company or its subsidiaries) and any suppliers, consultants or advisers who will provide or have provided services to the Company or its subsidiaries.

The maximum number of shares in respect of which options may be granted under the Scheme, subject to further refreshment of the limit on the grant of options by shareholders, is 10% of the issued shares as at 31 January 2002, being the date of shareholders' approval of the Scheme. On 14 August 2002, 9 June 2004 and 22 September 2006, the shareholders of the Company passed an ordinary resolution respectively approving the refreshment of the 10% limit on the grant of options under the Scheme.

The maximum entitlement of each eligible participant in any 12 month-period shall not exceed 1% of the number of shares in issue on the date of offer of an option.

The offer of a grant of options may be accepted within 28 days after the date of the offer, with a consideration of HK$1 for the grant thereof. Exercise period in respect of the options granted shall be determined by the board and in any event such period of time shall not exceed a period of 10 years commencing on the date upon which such option is deemed to be granted and accepted.

The exercise price in relation to each option offered to an eligible participant under the Scheme shall be determined by the Board at its absolute discretion but in any event shall not be less than the highest of: (a) the official closing price of the shares as stated in the daily quotation sheet of the Stock Exchange on the date of offer of an option; (b) the average of the official closing price of the shares as stated in the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of offer of an option; and (c) the nominal value of a share.

31. SHARE OPTION SCHEMES *(continued)*

The Scheme shall be valid for 10 years from 31 January 2002 to 31 January 2012 (both dates inclusive).

During the period ended 31 December 2006, 70,000,000 shares were allotted and issued upon the exercise of the subscription rights by the option holders (see below). As at 31 December 2006 and 2007, the Company had no outstanding share options.

Movements in the Company's share option during the financial period ended 31 December 2006 are as follows:

					Movements of option shares during the period		
Category of Participant	Date of grant	Exercise price per share HK$	Exercise period	Closing price before date of grant HK$ (Note 1)	As at 1.8.2005	Exercised	As at 31.12.2006
Consultants	21.07.2005	0.0580	21.07.2005 – 20.07.2006	0.058	70,000,000	70,000,000	–

Notes:

(1) The closing price was recorded immediately before the date of grant.

(2) No share options were granted during the period ended 31 December 2006.

No theoretical value of share option is disclosed as no share options were granted during the current financial year.

32. RESERVES

Company

	Share premium account HK$'000	Capital redemption reserve HK$'000	Convertible notes reserve HK$'000	Other capital reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 August 2005	917,278	675	177	–	49,753	(824,023)	143,860
Exercise of share options	3,360	–	–	–	–	–	3,360
Placing of shares	59,400	–	–	–	–	–	59,400
Issue of shares in consideration for acquisition of a subsidiary	8,750	–	–	–	–	–	8,750
Release of convertible notes reserve upon redemption of convertible notes	–	–	(177)	–	–	–	(177)
Profit for the period	–	–	–	–	–	35,409	35,409
At 31 December 2006	988,788	675	–	–	49,753	(788,614)	250,602
Shares issued upon placement of shares, net of issuing expenses	737,289	–	–	–	–	–	737,289
Issue of shares in consideration for acquisition of interests in subsidiaries	92,000	–	–	–	–	–	92,000
Repurchase of own shares	(9,766)	125	–	–	–	(125)	(9,766)
Recognition of equity component of convertible notes	–	–	17,907	–	–	–	17,907
Loss for the year	–	–	–	–	–	(13,334)	(13,334)
At 31 December 2007	1,808,311	800	17,907	–	49,753	(802,073)	1,074,698

Note: The contributed surplus of the Company represents the excess of the net assets value of the subsidiaries acquired pursuant to the Group's reorganisation in 1993 over the nominal value of the Company's shares issued in exchange thereof. Under the Companies Act of Bermuda 1981 (as amended), the contributed surplus of the Company is distributable to the shareholders in certain circumstances which the Company is currently unable to satisfy. The share premium account of the Company is distributable in the form of fully paid bonus shares.

33. BANK AND OTHER BORROWINGS

	Group 2007 HK$'000	2006 HK$'000
Non-current		
Bank borrowings – secured	**36,348**	7,548
Other borrowings – unsecured	**42,762**	31,195
	79,110	38,743
Current		
Bank borrowings		
– secured	**40,592**	2,515
– unsecured	**16,036**	–
Other borrowings – unsecured	**23,519**	11,573
	80,147	14,088
Total bank and other borrowings	**159,257**	52,831

The bank and other borrowings are repayable as follows:

	Bank borrowings		Other borrowings	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Within 1 year	**56,628**	2,515	**23,519**	11,573
Between 1 and 2 years	**–**	7,548	**11,482**	11,069
Between 2 and 5 years	**36,348**	–	**25,657**	12,448
Wholly repayable within 5 years	**92,976**	10,063	**60,658**	35,090
Over 5 years	**–**	–	**5,623**	7,678
	92,976	10,063	**66,281**	42,768

33. BANK AND OTHER BORROWINGS *(continued)*

Notes:

(i) The bank borrowings of HK$76,940,000 (2006: HK$10,063,000) are secured by natural gas operation right and gas pipelines for an aggregate cost of RMB122,451,000 (2006: RMB35,347,000) as set out in note 18 to the financial statements.

(ii) As at 31 December 2007, the effective interest rate for bank borrowings is 5.58%. (2006: the effective interest rates were 5.58% per annum)

(iii) The unsecured other borrowings of HK$31,280,000 (2006: HK$14,722,000) are interest bearing at the rate in the range of 2.28% to 2.55% per annum for the current financial year and are repayable on the eighth anniversary date from the date of borrowings. The remaining unsecured other borrowings of HK$35,001,000 (2006: HK$28,046,000) are interest bearing at the effective interest rate of 4.78% and are repayable within 5 years.

The carrying amounts and fair values of non-current borrowings are as follows:

	Carrying amounts		**Fair values**	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings	**36,348**	7,548	**31,897**	7,502
Other borrowings	**42,762**	31,195	**36,452**	27,734
	79,110	38,743	**68,349**	35,236

The fair values are based on cash flows discounted using a rate based on the effective interest rate of 6.75% (2006: ranging from 6.3% to 6.84%).

The carrying amounts of short-term borrowings approximate to their fair value.

Included in borrowings are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2007	2006
Renminbi	**148,970,000**	52,500,000

34. CONVERTIBLE NOTES

On 1 February 2007, the Company issued convertible notes of principal amount of HK$66 million as part of the consideration for the Nanjing CNG Acquisition (the "Feb CN") to an independent third party. The Feb CN is matured on the second anniversary date from the issued date, entitling the holder to convert up to an aggregate of 275 million shares of the Company at the conversion price of HK$0.24 per conversion share subject to adjustments. The Feb CN is convertible in whole or any part after six months from the issue date at the option of the holder, and is bearing interest of 1% per annum payable semi-annually in arrears.

On 20 March 2007, the Company issued interest-free convertible notes of principal amount of HK$90 million as part of the consideration for the Anhui CNG Acquisition (the "Mar CN") to Mr. Xu Tie Liang ("Mr. Xu"), the chairman and substantial shareholder of the Company. The Mar CN is matured on the second anniversary date from the issued date, entitling the holder to convert up to an aggregate of 375 million shares of the Company at the conversion price of HK$0.24 per conversion share subject to adjustments. The Mar CN is convertible in whole or any part after six months from the issue date at the option of the holder.

The fair value of the liability component and equity component of the convertible notes was determined at the issuance date. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible note. Interest expenses of HK$7,843,000 (For the period from 1 August 2005 to 31 December 2006: HK$99,000) has been recognised in the income statement in respect of the convertible notes for the year ended 31 December 2007, using the effective interest method by applying the effective interest rate of 6.75% to the liability component. The residue amount, representing the value of the equity component, is included in reserves.

The net proceeds received from the issue of the convertible notes have been split between the liability and equity components as follows:

	Group and Company	
	2007	2006
	HK$'000	HK$'000
Liabilities component at the beginning of the year/period	**–**	3,960
Nominal value of convertible notes issued during the year/period	**156,000**	–
Equity component	**17,907**	–
Liability component on initial recognition	**138,093**	3,960
Interest expenses (Note 9)	**7,843**	99
Interest paid	**–**	(59)
	145,936	4,000
Redemption of convertible notes	**–**	(4,000)
Liability component at the end of the year/period	**145,936**	–
Portion classified as current liabilities	**604**	–
Long term portion	**145,332**	–

35. DEFERRED TAX LIABILITIES

Details of deferred tax liabilities and amount charged to the consolidated income statement is as follows:

	Group	
	Accelerated depreciation allowances	
	2007	2006
	HK$'000	HK$'000
At beginning of the year/period	**2,646**	–
Currency realignment	**273**	–
Effect on acquisition of further interest in a jointly controlled entity which is then recognised as a subsidiary (note 22)	**2,703**	–
(Credited)/charged to income statement during the year/period (note 12)	**(202)**	2,646
At end of the year/period	**5,420**	2,646

The Group has tax losses arising in Hong Kong of HK$6,467,000 (2006: HK$6,467,000) that are agreed by the Inland Revenue Department and available indefinitely for offsetting against future taxable profits of the Group. Deferred tax assets have not been recognised in respect of these losses as the Group has been making loss for some time.

36. TRADE AND OTHER PAYABLES

	Group	
	2007	2006
	HK$'000	HK$'000
Trade payables	**61,229**	21,609
Other payables and accruals	**254,933**	74,310
	316,162	95,919

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

Included in trade payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2007	2006
Renminbi	**57,273,953**	21,473,000

The ageing analysis of trade payables is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Current to 90 days	**39,809**	7,736
91 to 180 days	**5,991**	371
Over 180 days	**15,429**	13,502
Total	**61,229**	21,609

37. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of Subsidiaries

Particulars of the assets and liabilities acquired are as follows:

	2007 HK$'000	2006 HK$'000
Non-current assets		
Property, plant and equipment	167,272	–
Leasehold land and land use rights	5,920	–
Other intangible assets	1,792	–
	174,984	–
Current assets		
Leasehold land and land use rights	–	650
Inventories	29,864	–
Trade and other receivables	58,331	–
Cash and cash equivalents	45,563	–
	133,758	650
Current liabilities		
Receipts in advance	(6,579)	–
Trade and other payables	(123,662)	(260)
	(130,241)	(260)
Non-current liability		
Bank borrowings	(68,420)	–
Minority interests	(75,104)	(78)
Translation reserves	(1,249)	–
Net assets acquired	33,728	312
Goodwill on acquisition	493,200	58,188
	526,928	58,500
Purchase consideration	526,928	58,500
Less: Share consideration	–	(10,500)
Outstanding balance included in trade and other payables	–	(7,200)
Cash and cash equivalents acquired	(45,563)	–
Net cash outflow on acquisition	481,365	40,800

The acquired subsidiaries contributed HK$194,947,000 revenue and HK$18,876,000 to the Group's profit before taxation for the period between the respective dates of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2007, total revenue for the period would have been HK$769,646,000, and profit for the year would have been HK$123,761,000.

37. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Further Capital Injection to a Jointly Controlled Entity

During the year ended 31 December 2007, the Group has taken a further capital injection to a jointly controlled entity which is then recognised as a subsidiary. Details are as follows:

	2007 **HK$'000**	2006 HK$'000
Non-current assets		
Property, plant and equipment	**112,186**	–
Leasehold land and land use rights	**3,241**	–
Interest in associates	**16,349**	–
	131,776	–
Current assets		
Inventories	**8,038**	–
Trade and other receivables	**90,196**	–
Cash and cash equivalents	**124,112**	–
	222,346	–
Current liability		
Trade and other payables	**(92,934)**	–
Non-current liabilities		
Deferred tax liability	**(2,703)**	–
Other borrowings	**(43,686)**	–
Bank borrowings	**(10,279)**	–
	(56,668)	–
Minority interests	**(190,056)**	–
Net assets acquired	**14,464**	–
Goodwill on acquisition	**6,917**	–
Purchase consideration	**21,381**	–
Cash paid on acquisition	**(21,381)**	–
Add: Cash and cash equivalents acquired	**124,112**	–
Net cash inflow on acquisition	**102,731**	–

The acquired subsidiaries contributed addition HK$243,257,000 revenue and HK$34,489,000 to the Group's profit before taxation for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2007, total revenue for the period would have been HK$790,105,000, and profit for the year would have been HK$129,109,000.

37. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Disposal of a Subsidiary

During the period ended 31 December 2006, the Group disposed of one of its subsidiaries. Details of the disposal are as follows:

Book value of net assets sold:

	2007	2006
	HK$'000	HK$'000
Non-current assets		
Available-for-sale financial assets	–	9,170
	–	9,170
Net assets disposed of	–	9,170
Loss on disposal	–	(1,270)
	–	7,900
Consideration		
Cash and cash equivalents	–	7,900
Net cash inflow on disposal		
Consideration received in the form of cash and cash equivalents	–	7,900

37. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(d) Disposal of Discontinued Operations

(i) The business of manufacturing and trading of silicone rubber products

During the period ended 31 December 2006, the Group disposed of its business of manufacturing and trading of silicone rubber products. Details of the disposal are as follows:

Book value of net assets sold:

	2007	2006
	HK$'000	HK$'000
Current assets		
Deposits, trade and other receivables	**–**	352
Cash and cash equivalents	**–**	31
Current liability		
Trade and other payables	**–**	(3,373)
Net liabilities disposed of	**–**	(2,990)
Gain on disposal	**–**	3,090
	–	100
Consideration		
Cash and cash equivalents	**–**	100
Net cash inflow on disposal		
Consideration received in the form of cash and cash equivalents	**–**	100
Less: Cash and cash equivalents disposed of	**–**	(31)
	–	69

(ii) The business of investment in internet and information technology activities

On 28 December 2006, the Group disposed of its business of investment in internet and information technology activities at a consideration of HK$1. At the date of disposal, the net book value of the business was at zero balance. Accordingly, the net cash inflow from the disposal amounted to HK$1.

38. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from two years to five years.

At 31 December 2007, the Group had total future minimum lease payments under non-cancelable operating leases falling due as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Land and buildings expiring:		
Within one year	**2,122**	1,353
In the second to fifth years, inclusive	**2,144**	995
	4,266	2,348

39. CAPITAL COMMITMENTS

The Group had the following capital commitments at the balance sheet date:

	Group	
	2007	2006
	HK$'000	HK$'000
Property, plant and equipment:		
Contracted, but not provided for	**53,444**	6,058
Establishment and acquisition of subsidiaries and joint venture companies:		
Contracted, but not provided for (note 45)	**904,018**	349,618
Consultancy fees:		
Contracted, but not provided for	**–**	641
	957,462	356,317

Included in capital commitments in respect of property, plant and equipment was an amount of HK$Nil, which represented the Group's share of its jointly controlled entity's own capital commitments as at 31 December 2007 (2006: HK$4,692,000).

40. FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

As at 31 December 2007, one of the subsidiaries of the Company, CCNG provided financial guarantees on loan facilities granted to another subsidiary of the Company, 醴陵中油燃氣有限責任公司 to the extent of RMB44,000,000 (2006: HK$70,039,000 RMB69,600,000) and the Group does not have any other significant contingent liabilities.

In the opinion of the directors, the fair values of the above financial guarantees are insignificant as at 31 December 2007 and 31 December 2006.

41. TRANSACTION AND BALANCES WITH RELATED PARTIES

Details of the Group's significant balances with the following related parties as at 31 December 2007, are as follows:

	2007	2006
	HK$'000	HK$'000
Company controlled by a director:		
Balance due to the Group	**–**	5,000
Minority shareholder:		
Balance due from the Group	**–**	6,810

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

In addition to the above, during the year, a wholly owned subsidiary of the Company entered into a sale and purchase agreement to acquire the entire issued share capital of Vast China Group Limited ("Vast China", together with its subsidiaries, collectively referred as to the "Vast China Group"), a company wholly owned by Sino Vantage Management Limited ("Sino Vantage"), a company wholly owned by Mr. Xu Tie-liang, the Chairman and executive Director of the Company, at a consideration of HK$196 million. Vast China is engaged in the business of investment in construction and operation of natural gas stations and supply of natural gas in Maanshan, a city of Anhui of the PRC.

42. RETIREMENT BENEFITS SCHEME

The Group contributes to the Mandatory Provident Fund Scheme (the "MPF" Scheme) for all qualifying employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Under the rules of the MPF Scheme, contributions to the scheme by the Group and the employees are calculated as a percentage of employee's relevant income, subject to a cap of monthly relevant income of HK$20,000. The retirement benefit scheme costs charged to income statement represent contributions payable by the Group to the fund. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

In pursuant to the PRC Government regulations, the Group is required to contribute to a Central Pension Scheme in respect of the Group's employees in the PRC and there is no forfeited contribution under the Central Pension Scheme.

43 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. This currency exposure is managed primarily through sourcing raw material denominated in the same currency.

During the year ended 31 December 2007, if HK$ had strengthened or weakened by 5% against the RMB, with all other variables held constant, the effect on profit for the year would have been approximately HK$3,878,000 (2006: HK$2,651,000) lower or higher.

The above sensitivity analysis has been determined assuming that a change in foreign exchange rates had occurred at the balance sheet date and had been applied to the exposure to foreign exchange risk for financial instruments in existence at that date. The 5 percentage increase or decrease represents management's assessment of a reasonably possible change in exchange rates over the period until the next annual balance sheet date. The analysis was performed on the same basis for 2006.

(ii) Price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale financial assets (note 25) and financial assets at fair value through profit or loss (note 27). Other than unlisted debt securities held as available-for-sale, all of these investments are listed. Most of the Group's listed investments are listed on the Stock Exchange of Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of the individual securities compared to that of the Index and other industry indicators, as well as Group's liquidity needs. Listed investments held in the available-for-sale portfolio have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group. The Group is not exposed to commodity price risk since the pricing strategy of natural gas business operated by the Group's subsidiaries in the PRC is controlled and regulated by the relevant government authority in the PRC.

The Company is exposed to other price risk in respect of its investments in subsidiaries. The sensitivity to price risk in relation to the investments in subsidiaries cannot be reliably determined due to numerous uncertainties regarding the future development of these subsidiaries.

43 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Market risk *(continued)*

(iii) Interest rate risk

Except for short term bank deposits (note 29), the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

The Group's interest rate risk arises from bank and other borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's bank and other borrowings are set out in note 33.

The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. In order to manage the cash flow interest rate risk, the Group will repay the corresponding borrowings when it has surplus funds.

At 31 December 2007, it is estimated that a general increase or decrease of 100 basis points in interest rates on RMB denominated borrowings, with all other variables held constant, would decrease/increase the Group's profit by approximately HK$715,000 (2006: HK$Nil). The above sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis was performed on the same basis for 2006.

(b) Credit risk

The Group's exposure to credit risk is influenced, mainly by the individual characteristics of each customer.

The Group has no significant concentrations of credit risk. The carrying amount of the trade and other receivables included in the balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets. The Group has policy in place to ensure that sales of products and services are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible trade and other receivables has been made in the income statement. Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 28.

The credit risk on liquid funds is considered negligible, since the counterparties are reputable banks with good quality external credit ratings.

43 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	Total carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Less than 1 year or payable on demand HK$'000**	**Between 1 to 2 years HK$'000**	**Between 2 to 5 years HK$'000**	**Over 5 years HK$'000**
2007						
Trade payables	**61,229**	**61,229**	**61,229**	**–**	**–**	**–**
Other payables	**254,933**	**254,933**	**254,933**	**–**	**–**	**–**
Bank borrowings	**92,976**	**94,169**	**57,821**	**–**	**36,348**	**–**
Other borrowings	**66,281**	**68,714**	**24,645**	**12,031**	**26,271**	**5,767**
Convertible notes	**145,936**	**145,936**	**145,936**	**–**	**–**	**–**
	621,355	**624,981**	**544,564**	**12,031**	**62,619**	**5,767**

	Total carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Less than 1 year or payable on demand HK$'000	Between 1 to 2 years HK$'000	Between 2 to 5 years HK$'000	Over 5 years HK$'000
2006						
Trade payables	21,609	21,609	21,609	–	–	–
Other payables	74,310	74,310	74,310	–	–	–
Bank borrowings	10,063	10,624	2,655	7,969	–	–
Other borrowings	42,768	44,466	12,126	11,599	12,867	7,874
Convertible notes	–	–	–	–	–	–
	148,750	151,009	110,700	19,568	12,867	7,874

44. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) To ensure the Group's ability to continue as a going concern;

(ii) To provide an adequate return to shareholders;

(iii) To support the Group's sustainable growth; and

(iv) To provide capital for the purpose of potential mergers and acquisitions.

The Group sets the amount of equity capital in proportion to its overall financing structure. This ratio is calculated as overall financing divided by capital. Overall financing is calculated as bank and other borrowings (including current and non-current bank and other borrowings as shown in the consolidated balance sheet) plus convertible notes (both equity and liability components). Capital is calculated as total equity as shown in the consolidated balance sheet, less equity component of convertible notes. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain a capital-to-overall financing ratio within 15%-25%. The capital-to-overall financing ratios as at 31 December 2007 and 2006 were as follows:

	2007 **HK$'000**	2006 HK$'000
Total bank and other borrowings (Note 33)	**159,257**	52,831
Add: Convertible notes – equity and liability components (Note 34)	**156,000**	–
Overall financing	**315,257**	52,831
Total equity	**1,542,185**	332,567
Less: Convertible notes – equity component	**17,907**	–
Capital	**1,524,278**	332,567
Capital-to-overall financing ratio	**21%**	16%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

45. POST BALANCE SHEET EVENTS

(a) 南通中油燃氣有限責任公司

On 19 December 2007, two subsidiaries of the Company entered into a joint venture agreement with an independent third party to establish an equity joint venture company in the PRC with registered capital of RMB15 million. Pursuant to the joint venture agreement, the Group agreed to contribute RMB12 million to the joint venture. At the balance sheet date, the Group had the capital commitment of the aforesaid amount in respect of establishment of the joint venture company.

(b) 青海中油甘河工業園區燃氣有限公司

On 3 December 2007, two subsidiaries of the Company entered into a joint venture agreement with an independent third party to establish an equity joint venture company in the PRC with registered capital of RMB26 million. Pursuant to the joint venture agreement, the Group agreed to contribute RMB20.8 million to the joint venture. At the balance sheet date, the Group had the capital commitment of the aforesaid amount in respect of establishment of the joint venture company.

(c) 興化東南燃氣有限公司

On 30 November 2007, a subsidiary of the Company, CCNG entered into a sale and purchase agreement with an independent third party to acquire the entire issue share capital of 興化東南燃氣有限公司 with a consideration of RMB9,800,000. Deposit of RMB980,000 had been paid and included in other receivables. At the balance sheet date, the Company had the capital commitment of RMB8,820,000 in respect of the above acquisition.

(d) 馬鞍山高佳能源有限公司

Pursuant to the articles of the subsidiary, the Group is committed to further contribute RMB4,000,000 to 馬鞍山高佳能源有限公司 before April 2009.

(e) 潮州中油燃氣有限公司

On 27 November 2007, a subsidiary of the Company, CCNG entered into the Chaozhou City Gas Framework Agreement with Chaozhou Development Department, pursuant to which, Chaozhou Government should grant to CCNG an operation right for the operation of city natural gas in Chaozhou city on the condition of secured supply of natural gas for Chaozhou. The Group agreed, through CCNG, to invest and develop the piped natural gas project in Chaozhou. The total investment of the Chaozhou gas project is estimated to be RMB800,000,000 over different stages.

46. COMPARATIVE AMOUNTS

As a result of adopting HKFRS 7 "Financial instruments: Disclosures" and the amendments to HKAS 1 "Presentation of financial statements: Capital disclosures", certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2007. Further details of these developments are disclosed in note 2.

47 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2007 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

48. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 25 April 2008.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial period/years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below.

	Year ended 31 December 2007 HK$'000	Period from 1 August 2005 to 31 December 2006 HK$'000	Year ended 31 July 2005 HK$'000	Year ended 31 July 2004 HK$'000	Year ended 31 July 2003 HK$'000
RESULTS					
Turnover	**677,372**	369,914	200,928	129,987	58,365
Profit/(loss) before tax	**129,447**	73,646	(3,554)	(212,520)	(233,451)
Tax	**(15,639)**	(7,319)	(3,374)	(472)	–
Profit/(loss) for the year/period from continuing operations	**113,808**	66,327	(6,928)	(212,992)	(233,451)
DISCONTINUED OPERATIONS					
Profit/(loss) for the year/period from discontinued operations	**–**	1,824	(125,554)	(2,692)	(100,365)
Profit (loss) for the period/year	**113,808**	68,151	(132,482)	(215,684)	(333,816)
Attributable to:					
Equity holders of the Company	**72,622**	57,342	(139,797)	(215,929)	(334,777)
Minority interests	**41,186**	10,809	7,315	245	961
	113,808	68,151	(132,482)	(215,684)	(333,816)
ASSETS AND LIABILITIES					
TOTAL ASSETS	**2,186,411**	492,520	312,415	356,769	499,828
TOTAL LIABILITIES	**(644,226)**	(159,953)	(128,680)	(161,007)	(121,401)
TOTAL EQUITY	**1,542,185**	332,567	183,735	195,762	378,427
MINORITY INTERESTS	**287,013**	21,213	12,960	4,161	4,407