1. GENERAL AND BASIS OF PREPARATION

The Company is a public limited company incorporated in the Cayman Islands on 16 November 2000 under the Companies Law (Revised) Chapter 22 of the Cayman Islands as an exempted company with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the directors, the Group's parent and ultimate holding company is Hong Kong and China Gas Company Limited, a company incorporated in Hong Kong with its shares listed on the Stock Exchange. The address of the registered office and principal place of business of the Company is disclosed in the Corporate Information of the Annual Report.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HKD"). The reason for selecting HKD as its presentation currency is because the Company is a public company incorporated in Cayman Islands with its shares listed on the Stock Exchange, where most of its investors are located in Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sales and distribution of natural gas and liquefied petroleum gas ("LPG") in the People's Republic of China (the "PRC") including the provision of piped natural gas and LPG, construction of gas pipelines, the operation of city gas pipeline network, the operation of natural gas automobile refilling stations, and the sale of gas household appliances. The Group was also engaged in the sale of LPG in bulk and in cylinders, which was disposed in the current year (see note 14).

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets by approximately HK$578 million. The Group's liabilities as at 31 December 2009 included borrowings of HK$562 million that are repayable within twelve months from the end of the reporting period. As at the date of this report, the Group has un-drawn but committed unsecured facilities amounted to HK$572 million and RMB224 million (approximately HK$255 million). Taking into account of the internally generated funds and the available facilities, the directors of the Company are confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs have no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 7). The adoption of the new and revised HKFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

In previous years, the Group expensed all borrowing costs that were directly attributable to the acquisition, construction or production of a qualifying asset when they were incurred. HKAS 23 (Revised 2007) removes the option previously available to expense all borrowing costs when incurred. The adoption of HKAS 23 (Revised 2007) has resulted in the Group changing its accounting policy to capitalise all such borrowing costs as part of the cost of the qualifying asset. The Group has applied the revised accounting policy to borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009 in accordance with the transitional provisions in HKAS 23 (Revised 2007). As the revised accounting policy has been applied prospectively from 1 January 2009, this change in accounting policy has not resulted in restatement of amounts reported in respect of prior accounting periods.

No borrowing costs were capitalised in the current year as a result of the adoption of HKAS 23 (Revised 2007).

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosure[5]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of right issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first time adopters[5]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[5]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[5]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2011.
6 Effective for annual periods beginning on or after 1 January 2010.
7 Effective for annual periods beginning on or after 1 January 2013.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The adoption of HKFRS 3 (Revised) may affect the accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations may have impact on the results or financial position of the Group but the directors are still assessing the impact.

HKFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

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

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

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

A discount on acquisition arising on acquisition of subsidiaries represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities attributable to the Group over the cost of the business combination. Discount on acquisition is recognised, after reassessment, immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in financial and operating policy decision of the investee but is not control or joint control over those policies.

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate is included as income in the determination of the investor's share of results of the associate in the period in which the investment is acquired.

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

Joint ventures

Jointly controlled entities

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

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

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

Revenue from gas supply is recognised when gas is used by the customers.

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

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

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

Property, plant and equipment

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

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

Buildings	15 – 30 years
Gas pipelines	30 – 40 years
Plant and equipment and others	5 – 15 years

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

Construction in progress

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Exclusive operating rights for city pipeline network and contracted customer base

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

Inventories

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

Construction contracts

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

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

Impairment (other than goodwill)

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

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

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are mainly classified into one of the two categories, including loans and receivables and available-for-sale financial assets.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables (including deferred consideration receivable, trade receivables, other receivables, deposits, amounts due from minority shareholders, loans to jointly controlled entities and bank balances) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and deferred consideration receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying value on initial recognition.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Bank and other borrowings and guaranteed senior notes

Interest-bearing bank loans and other loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Other financial liabilities

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

Equity instruments

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

Derecognition

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted before 7 November 2002

The financial impact of share options granted is not recorded in the Company's statement of financial position until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Share options granted after 7 November 2002 and vested after 1 January 2005

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

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale for which the commencement date for capitalisation is on or after 1 January 2009 are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefits cost

Payments to defined contribution retirement benefit schemes including, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as expenses when employees have rendered service entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3, management has made various estimates based on past experience, expectations of the future and other information. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. At 31 December 2009, the carrying amount of goodwill is HK$2,752,733,000 (2008: HK$2,491,871,000). Details of the recoverable amount calculation are disclosed in note 20.

Income taxes

As at 31 December 2009, no deferred tax asset is recognised in the Group's statement of financial position in relation to the estimated unused tax losses of HK$29,385,000 (2008: HK$60,306,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the actual future assessable profits generated are more than expected, a material recognition of deferred tax asset may arise, which would be recognised in the consolidated income statement for the period in which such recognition takes place.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). As at 31 December 2009, the carrying amount of trade receivables is HK$98,101,000 (2008: HK$101,694,000).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes borrowings and loans from a shareholder disclosed in notes 29 and 30, equity attributable to shareholders of the Company, comprising issued share capital and reserves.

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 40% determined as the proportion of net debt excluding shareholders loan to equity.

5. CAPITAL RISK MANAGEMENT *(Continued)*

The gearing ratio at the reporting date was as follows:

	2009 HK$'000	2008 HK$'000
Debt (i)	**2,764,737**	2,263,711
Cash and cash equivalents	**(963,861)**	(863,882)
Net debt	**1,800,876**	1,399,829
Equity (ii)	**6,433,588**	6,177,801
Net debt to equity ratio	**28.0%**	22.7%
Net debt excluding the loan from a shareholder to equity ratio	**20.7%**	15.5%

(i) Debt is defined as long- and short-term borrowings, as detailed in notes 29 and 30.

(ii) Equity includes all capital and reserves of the Group excluding minority interest.

6. FINANCIAL INSTRUMENTS

Category of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalent)	**1,639,831**	1,162,115
Available-for-sale instruments	**168,853**	169,968
Financial liabilities		
Amortised cost	**3,461,423**	2,581,553

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale equity investments, deferred consideration receivable, loans to jointly controlled entities, trade and other receivables, amounts due from minority shareholders, bank balances and cash, borrowings, amounts due to minority shareholders, trade and other payables and loans from a shareholder. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these risks to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk

Certain bank balances, loans from a shareholder, and guaranteed senior notes are denominated in foreign currencies which expose the Group to foreign currency risk.

Details of the Group's bank balances, guaranteed senior notes and loans from a shareholder, denominated in United States Dollar ("USD") and HKD at the end of the reporting period are set out in notes 26, 29 and 30.

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 2% in exchange rate of USD and HKD against RMB while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 2% change in foreign currency rates.

The sensitivity analysis includes bank balances, loan from a shareholder, and guaranteed senior notes where the denomination of the balances is in a currency other than the functional currency of the respective group entities. A positive number below indicates an increase in profit for the year where RMB strengthen 2% against USD and HKD. For a 2% weakening of RMB against USD and HKD, there would be an equal but opposite impact on the profit for the year, and the balances below would be negative.

	2009 **HK$'000**	2008 HK$'000
Profit for the year	**43,153**	25,154

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other loans, fixed-rate short-term bank fixed deposits, loans to jointly controlled entities and guaranteed senior notes. The cash flow interest rate risk relates primarily to floating-rate bank loans and the loan from a shareholder. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short-term.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate arising from the Group's HKD loan and the loan from a shareholder and the fluctuation of basic borrowing rate announced by People's Bank of China arising from the Group's RMB bank loans.

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. For variable-rate bank loans and loan from a shareholder, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis point (2008: 50 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2008: 50 basis point) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2009 would decrease/increase by HK$3,179,000 (2008: HK$3,031,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt instruments.

Credit risk

At 31 December 2009, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk of loans to jointly controlled entities is concentrated in four jointly controlled entities. Management will closely monitor the financial position of each counterparty to ensure overdue debts are timely recovered.

The credit risk of deferred consideration receivable is concentrated to one counterparty. Management will closely monitor the financial position of the counterparty to ensure overdue debts are timely recovered.

The credit risk on bank balances is limited because the counterparties have high credit ratings.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The Group relies on loan from a shareholder, bank and other borrowings as a significant source of liquidity. As at date of this report, the Group had available unutilised bank loan facilities of HK$550 million and RMB224 million (approximately HK$255 million) (at 31 December 2008: HK$150 million) and unutilised loan facility from a shareholder of HK$22 million (at 31 December 2008: HK$53 million).

6. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	5+years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2009 HK$'000
2009								
Trade payables	–	70,045	88,879	55,745	–	–	214,669	214,669
Other payables	–	399,400	–	–	–	–	399,400	399,400
Amounts due to minority shareholders	–	82,617	–	–	–	–	82,617	82,617
Loans from a shareholder	3.26%	–	–	14,806	528,251	–	543,057	471,365
Bank loans	2.18%	–	130,114	416,903	540,168	–	1,087,185	1,044,886
Other loans	2.23%	22,521	–	4,963	55,284	68,578	151,346	138,831
Guaranteed senior notes	8.69%	–	45,076	45,076	1,182,902	–	1,273,054	1,109,655
		574,583	264,069	537,493	2,306,605	68,578	3,751,328	3,461,423

	Weighted average effective interest rate	Less than 1 month HK$'000	1–3 months HK$'000	3 months to 1 year HK$'000	1–5 years HK$'000	5+years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2008 HK$'000
2008								
Trade payables	–	30,087	91,368	34,286	39,068	4,477	199,286	199,286
Other payables	–	90,852	–	–	–	–	90,852	90,852
Amounts due to minority shareholders	–	27,704	–	–	–	–	27,704	27,704
Loans from a shareholder	4.25%	–	–	19,376	504,614	–	523,990	440,364
Bank loans	6.69%	148,810	6,236	–	480,226	–	635,272	560,714
Other loans	2.28%	15,612	–	–	31,341	121,184	168,137	156,750
Guaranteed senior notes	8.69%	–	45,076	45,076	1,273,054	–	1,363,206	1,105,883
		313,065	142,680	98,738	2,328,303	125,661	3,008,447	2,581,553

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flows analysis using prices or rates from observable current market transactions as input.

Except for the guaranteed senior notes as detailed in note 29, the directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

7. SEGMENT INFORMATION

Business segments

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The chief operating decision makers of the Group have been identified as the executive directors of the Company (the "Executive Directors").

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors that are used to make strategic decisions.

The Group currently organises its operations into two reportable operating segments, namely sales and distribution of piped gas and related products and gas pipeline construction. The principal activities of the reportable segments are as follows:

Sales and distribution of piped gas and related products	–	Sales of piped gas and gas related household appliances
Gas pipeline construction	–	Construction of gas pipeline networks under gas connection contracts

During the year, the Group disposed of its business in the sales of LPG in bulk and in cylinders ("LPG operations"). Segments results represent the profit before taxation earned by each segment, excluding share of results of associates, share of results of jointly controlled entities, interest income, finance costs, unallocated other income and unallocated corporate expenses such as central administration costs and directors' salaries. This is the measure reported to the Executive Directors for the purpose of resource allocation and assessment of segment performance.

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

Information regarding these segments is presented below. The segment results reported for the prior period have been restated to conform with the requirements of HKFRS 8.

	Sales and distribution of piped gas and related products HK$'000	Gas pipeline construction HK$'000	Total – continuing operations HK$'000	Discontinued operation – LPG operations HK$'000	Consolidated HK$'000
For the year ended 31 December 2009					
TURNOVER					
External	1,533,749	491,733	2,025,482	880,471	2,905,953
Segment results	111,382	201,702	313,084	16,121	329,205
Unallocated other income			64,873	3,608	68,481
Gain on disposal of LPG operations			–	458	458
Unallocated corporate expenses			(67,884)	–	(67,884)
Share of results of associates			136,901	–	136,901
Share of results of jointly controlled entities			73,933	559	74,492
Finance costs			(126,963)	(476)	(127,439)
Profit before taxation			393,944	20,270	414,214
Taxation			(91,625)	(10,446)	(102,071)
Profit for the year			302,319	9,824	312,143

7. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

	Sales and distribution of piped gas and related products HK$'000	Gas pipeline construction HK$'000	Total – continuing operations HK$'000	Discontinued operation – LPG operations HK$'000	Consolidated HK$'000
For the year ended 31 December 2008					
TURNOVER					
External	1,210,036	448,106	1,658,142	2,751,056	4,409,198
Segment results	80,759	177,409	258,168	61,312	319,480
Unallocated other income			44,281	25,344	69,625
Unallocated corporate expenses			(91,348)	–	(91,348)
Share of results of associates			146,160	–	146,160
Share of results of jointly controlled entities			56,659	5,071	61,730
Finance costs			(142,181)	(2,340)	(144,521)
Profit before taxation			271,739	89,387	361,126
Taxation			(72,718)	(17,221)	(89,939)
Profit for the year			199,021	72,166	271,187

Amounts of segment assets and liabilities of the Group are not reviewed by the Executive Directors or otherwise regularly provided to the Executive Directors.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

All of the Group's revenue was generated in the PRC (place of domicile of the group entities that derive revenue) and substantially all of the Group's non-current assets other than financial instruments were also located in the PRC (place of domicile of the group entities that hold such assets). No individual customer of the Group has contributed sales of over 10% of the total revenue of the Group for each of the years ended 31 December 2009 and 2008.

8. OPERATING PROFIT BEFORE RETURNS ON INVESTMENTS

	2009 HK$'000	2008 HK$'000
Continuing operations		
Revenue	**2,025,482**	1,658,142
Less expenses:		
Gas fuel, stores and materials used	**1,176,376**	920,239
Staff costs	**251,229**	212,147
Depreciation and amortisation	**173,016**	149,143
Other expenses	**179,661**	209,793
	245,200	166,820

9. OTHER INCOME

Other income mainly comprised of:

	Continuing operations		Discontinued operation		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Dividend income from available-for-sale investments	**27,871**	7,375	**–**	–	**27,871**	7,375
Interest income	**10,731**	8,158	**964**	3,262	**11,695**	11,420
Discount on acquisition of a subsidiary	**1,153**	–	**–**	–	**1,153**	–
Gain on disposal of property, plant and equipment	**664**	–	**2**	1,387	**666**	1,387
Discount on repurchase of guaranteed senior notes	**–**	3,240	**–**	–	**–**	3,240
Imputed interest on deferred consideration receivable	**5,548**	–	**–**	–	**5,548**	–
Imputed interest on loans to jointly controlled entities	**6,958**	5,534	**–**	–	**6,958**	5,534

10. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on:						
– bank and other borrowings wholly repayable within five years	**30,712**	27,764	**421**	2,155	**31,133**	29,919
– bank and other borrowings not wholly repayable within five years	**874**	2,778	**–**	–	**874**	2,778
– convertible bonds	**–**	4,115	**–**	–	**–**	4,115
– guaranteed senior notes	**93,923**	102,456	**–**	–	**93,923**	102,456
	125,509	137,113	**421**	2,155	**125,930**	139,268
Bank charges	**1,454**	5,068	**55**	185	**1,509**	5,253
	126,963	142,181	**476**	2,340	**127,439**	144,521

11. PROFIT BEFORE TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit before taxation	**393,944**	271,739	**20,270**	89,387	**414,214**	361,126
Profit before taxation has been arrived at after charging:						
Directors' remuneration (note 12)	**11,394**	13,932	**–**	–	**11,394**	13,932
Share-based payments for other staff	**446**	1,377	**–**	–	**446**	1,377
Other staff costs	**215,715**	176,028	**58,988**	115,644	**274,703**	291,672
Retirement benefit scheme contributions (excluding directors)	**23,674**	20,810	**4,858**	11,484	**28,532**	32,294
Total staff costs	**251,229**	212,147	**63,846**	127,128	**315,075**	339,275
Allowance for doubtful debts	**5,000**	3,039	**–**	–	**5,000**	3,039
Amortisation of intangible assets	**6,879**	6,127	**1,559**	3,638	**8,438**	9,765
Amortisation of leasehold land	**6,481**	6,003	**940**	1,980	**7,421**	7,983
Auditors' remuneration	**6,290**	7,237	**762**	1,288	**7,052**	8,525
Cost of inventories sold	**1,343,050**	1,043,719	**762,421**	2,497,201	**2,105,471**	3,540,920
Depreciation of property, plant and equipment	**159,656**	135,507	**9,494**	23,544	**169,150**	159,051
Operating lease rentals in respect of land and buildings	**6,754**	6,700	**8,377**	14,495	**15,131**	21,195
Share of tax of associates (included in share of results of associates)	**20,429**	23,229	**–**	–	**20,429**	23,229
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**12,097**	13,705	**–**	–	**12,097**	13,705

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the 10 (2008: 10) directors were as follows:

	Year ended 31 December 2009										
	Chen Wei HK$'000 (Note b)	Chan Wing Kin, Alfred HK$'000	Cheng Mo Chi, Moses HK$'000	Chow Yei Ching HK$'000	Kwan Yuk Choi, James HK$'000	Ho Hon Ming, John HK$'000 (Note d)	Li Man Bun Brian David HK$'000	Ou Yaping HK$'000 (Note b)	Shen Lian Jin HK$'000 (Note b)	Wong Wai Yee, Peter HK$'000 (Note e)	Total HK$'000
Fees	–	200	400	400	200	200	400	–	–	200	2,000
Other emoluments											
Salaries and other benefits	643	–	–	–	–	845	–	200	128	845	2,661
Retirement benefit scheme contributions	37	–	–	–	–	84	–	10	7	84	222
Performance and discretionary bonus (Note a)	–	–	–	–	–	1,386	–	–	–	1,866	3,252
Share-based payments	–	916	–	–	763	763	–	–	54	763	3,259
Total emoluments	680	1,116	400	400	963	3,278	400	210	189	3,758	11,394

	Year ended 31 December 2008										
	Chen Wei HK$'000 (Note b)	Chan Wing Kin, Alfred HK$'000	Cheng Mo Chi, Moses HK$'000	Chow Yei Ching HK$'000	Kwan Yuk Choi, James HK$'000	Ho Hon Ming, John HK$'000	Li Man Bun Brian David HK$'000	Ou Yaping HK$'000 (Note b)	Shen Lian Jin HK$'000 (Note b)	Wong Wai Yee, Peter HK$'000	Total HK$'000
Fees	–	200	400	400	200	200	400	–	–	200	2,000
Other emoluments											
Salaries and other benefits	997	–	–	–	–	422	–	200	1,123	422	3,164
Retirement benefit scheme contributions	51	–	–	–	–	42	–	10	–	42	145
Performance and discretionary bonus (Note a)	–	–	–	–	–	578	–	–	–	778	1,356
Share-based payments	–	1,924	–	–	1,603	1,603	–	–	534	1,603	7,267
Total emoluments	1,048	2,124	400	400	1,803	2,845	400	210	1,657	3,045	13,932

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Notes:

(a) The performance and discretionary bonus are determined by the Board from time to time with reference to their duties and responsibilities and the Group's performance and profitability.

(b) The emoluments of the directors are covered by their service contracts entered into with the Company. The service contract of Mr. Ou Yaping expired on 31 December 2009 and his director's emoluments thereafter are not covered by any service contract with the Company. The respective service contract of Mr. Chen Wei and Mr. Shen Lian Jin were expired on their respective dates of resignation on 31 December 2009 and 19 March 2009.

(c) No service contracts were entered by the directors other than those mentioned in note b above.

(d) The monthly basic salary of Mr. Ho Hon Ming, John as Company Secretary was increased to HK$74,000 with effect from 1 January 2010.

(e) The monthly basic salary of Mr. Wong Wai Yee, Peter as Chief Executive Officer was increased to HK$74,000 with effect from 1 January 2010.

Employees' emoluments:

For the year ended 31 December 2009, the five highest paid individuals of the Group included three (2008: five) directors of the Company, details of their emoluments are included above. The emoluments of the remaining two (2008: nil) highest paid individuals are as follows:

	2009 **HK$'000**
Salaries and other benefit	**1,867**
Performance related incentive payments	**827**
Contribution to retirement benefit scheme	**113**
Share based payment	**254**
	3,061

The emoluments were within the following bands:

	Number of employees **2009**
HK$1,000,000 to HK$1,500,000	**1**
HK$1,500,001 to HK$2,000,000	**1**

During the year, no remuneration was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any remunerations for the year ended 31 December 2009.

13. TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
The charge comprises:						
PRC Enterprise Income Tax						
– current year	**90,062**	65,227	**5,639**	17,221	**95,701**	82,448
Deferred taxation (note 31)						
– taxation charge for the year	**1,563**	7,491	**4,807**	–	**6,370**	7,491
	91,625	72,718	**10,446**	17,221	**102,071**	89,939

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

The tax rates applicable for the Group's PRC subsidiaries ranges from 15% to 25% (2008: 15% to 25%).

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of certain of the Group's PRC subsidiaries has changed to 25% from 1 January 2008 onwards. The relevant deferred tax balance had been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are entitled to exemption from PRC Enterprise Income Tax for the first two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. The reduced tax rate for the relief period ranges from 7.5% to 12.5%. PRC Enterprise Income Tax has been provided for after taking these tax incentives into account. These tax incentives will be expired by the year 2012.

13. TAXATION *(Continued)*

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

	2009 HK$'000	2008 HK$'000
Profit before taxation (from continuing operations)	**393,944**	271,139
Tax at the applicable rate of 25% (2008: 25%) (Note)	**98,486**	67,785
Tax effect of expenses that are not deductible for tax purposes	**64,178**	83,145
Tax effect of income that are not taxable for tax purposes	**(7,934)**	(568)
Tax effect of income that is exempted from PRC Enterprise Income Tax in determining taxable profit	**(3,923)**	(16,520)
Effect of different tax rates of subsidiaries entitled to a 50% reduction in PRC Enterprise Income Tax rates	**(5,783)**	(8,360)
Effect of different tax rates of subsidiaries operating in different regions	**(9,258)**	(9,677)
Tax effect of share of results of associates	**(34,225)**	(36,540)
Tax effect of share of results of jointly controlled entities	**(18,483)**	(14,165)
Tax effect of utilisation of tax losses not previously recognised	**(1,155)**	(3,681)
Tax effect of tax losses not recognised	**1,503**	1,364
Withholding tax	**8,219**	9,935
Tax charge for the year (relating to continuing operations)	**91,625**	72,718

Note: The tax rate of 25% represents PRC Enterprise Income Tax which is applicable to most of the Group's operations in the PRC for the year 2009 (2008: 25%).

At the end of the reporting period, the Group has unused tax losses of HK$29,385,000 (2008: HK$60,306,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Such unrecognised tax losses will expire progressively until 2014.

14. DISCONTINUED OPERATION

On 2 April 2009, the Group entered into a sale agreement to dispose of its LPG operations. The disposal was effected in order to focus resources for the expansion of the Group's other businesses. The disposal was completed on 4 June 2009, on which date control of LPG operations passed to the acquirer.

The profit for the year from the discontinued operation is analysed as follows:

	2009 HK$'000	2008 HK$'000
Profit of LPG operations for the year	**9,366**	72,166
Gain on disposal of LPG operations	**458**	–
	9,824	72,166
(Loss) profit for the year attributable to:		
Shareholders of the Company	**(515)**	39,866
Minority interests	**10,339**	32,300
	9,824	72,166

The results of the LPG operations, which have been included in the consolidated income statement, were as follows:

	Notes	2009 HK$'000	2008 HK$'000
Turnover	7	**880,471**	2,751,056
Operating profit before returns on investments		**16,121**	61,312
Other income	9	**3,608**	25,344
Share of results of jointly controlled entities		**559**	5,071
Finance costs	10	**(476)**	(2,340)
		19,812	89,387
Gain on disposal of LPG operations		**458**	–
Profit before taxation	11	**20,270**	89,387
Taxation	13	**(10,446)**	(17,221)
Profit for the year		**9,824**	72,166

No tax charge or credit arose on gain on discontinuance of the operations.

14. DISCONTINUED OPERATION *(Continued)*

During the period, the LPG operations contributed HK$45,891,000 (2008: contributed HK$137,079,000) to the Group's net operating cash flows, contributed HK$762,000 (2008: paid HK$61,664,000) in respect of investing activities and paid HK$11,898,000 (2008: contributed HK$6,236,000) in respect of financing activities.

As a result of the discontinuance of the LPG operations, certain comparative figures were restated so as to reflect the results for the discontinued operation.

15. DIVIDENDS

During the year, final dividend of HK$19,576,000 (2008: Nil) was recognised as distribution being one HK cent per ordinary share in respect of year ended 31 December 2008.

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2009 of two HK cents (2008: one HK cent) per share has been proposed by the Board of Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

16. EARNINGS PER SHARE

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

	2009	2008
	HK$'000	HK$'000
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to shareholders of the Company	**265,090**	202,282

	Number of shares	
	'000	'000
Weighted average number of shares for the purpose of basic earnings per share	**1,957,714**	1,957,494
Effects of dilutive potential ordinary shares:		
Share options	**2,896**	3,254
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,960,610**	1,960,748

16. EARNINGS PER SHARE *(Continued)*

From continuing operations

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

	2009 HK$'000	2008 HK$'000
Profit for the year attributable to shareholders of the Company for calculating basic and diluted earnings per share	**265,605**	162,416

The denominators used are the same as those detailed above for basic and diluted earnings per share.

From discontinued operation

The (loss) earnings per share for the discontinued operation is as follows:

	2009 HK cents	2008 HK cents
Basic	**(0.03)**	2.03
Diluted	**(0.03)**	2.04

The calculation of the (loss) earnings per share for the discontinued operation is based on the following data:

	2009 HK$'000	2008 HK$'000
(Loss) profit from discontinued operation attributable to shareholders of the Company	**(515)**	39,866

The denominators used are the same as those detailed above for basic and diluted (loss) earnings per share.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Gas pipelines HK$'000	Plant and equipment and others HK$'000	Construction in progress HK$'000	Total HK$'000
COST					
At 1 January 2008	331,030	2,631,140	489,892	66,347	3,518,409
Currency realignment	30,812	170,917	38,202	4,273	244,204
Additions	29,981	115,867	201,168	225,151	572,167
Additions from acquisition of subsidiaries	22,275	55,504	14,462	3,428	95,669
Deemed disposal of a subsidiary	–	–	(16,045)	–	(16,045)
Disposals	(4,074)	–	(15,173)	–	(19,247)
Transfer	272	91,349	174	(91,795)	–
At 31 December 2008	410,296	3,064,777	712,680	207,404	4,395,157
Currency realignment	948	6,068	1,590	450	9,056
Additions	19,848	84,576	37,731	373,961	516,116
Additions from acquisition of subsidiaries	16,223	124,004	4,877	24,698	169,802
Disposal of subsidiaries	(74,555)	(38,151)	(288,784)	(3,512)	(405,002)
Disposals	(1,685)	(334)	(10,387)	(220)	(12,626)
Transfer	31,365	261,928	34,600	(327,893)	–
At 31 December 2009	402,440	3,502,868	492,307	274,888	4,672,503
DEPRECIATION					
At 1 January 2008	35,038	233,927	138,969	–	407,934
Currency realignment	1,987	16,031	12,257	–	30,275
Provided for the year	15,342	96,856	46,853	–	159,051
Eliminated on deemed disposal of a subsidiary	–	–	(762)	–	(762)
Eliminated on disposals	(4,074)	–	(8,699)	–	(12,773)
At 31 December 2008	48,293	346,814	188,618	–	583,725
Currency realignment	142	881	309	–	1,332
Provided for the year	18,045	96,500	54,605	–	169,150
Eliminated on disposal of subsidiaries	(21,136)	(8,599)	(123,593)	–	(153,328)
Eliminated on disposals	(463)	(204)	(4,919)	–	(5,586)
At 31 December 2009	44,881	435,392	115,020	–	595,293
CARRYING VALUES					
At 31 December 2009	357,559	3,067,476	377,287	274,888	4,077,210
At 31 December 2008	362,003	2,717,963	524,062	207,404	3,811,432

The buildings are held under medium term leases and are situated in the PRC.

As at 31 December 2008, the Group has pledged certain of its buildings and gas pipelines with an aggregate carrying value of HK$10,645,000 (2009: nil) to secure banking facilities granted to the Group.

18. LEASEHOLD LAND

	2009 HK$'000	2008 HK$'000
Balance at the beginning of the year	**228,020**	176,490
Currency realignment	**2,061**	10,339
Additions	**11,610**	37,705
Acquired on acquisition of subsidiaries	**48,949**	11,469
Disposal of subsidiaries	**(60,378)**	–
Charge for the year	**(7,421)**	(7,983)
Balance at the end of the year	**222,841**	228,020
Analysis for reporting purpose:		
Non-current portion	**216,759**	221,004
Current portion	**6,082**	7,016
	222,841	228,020

The amount represented medium-term land use rights situated in the PRC.

19. INTANGIBLE ASSETS

	HK$'000
COST	
At 1 January 2008	195,228
Currency realignment	12,530
Additions	9,435
At 31 December 2008	217,193
Currency realignment	482
Disposal of subsidiaries	(10,024)
At 31 December 2009	207,651
AMORTISATION	
At 1 January 2008	11,336
Currency realignment	816
Provided for the year	9,765
At 31 December 2008	21,917
Currency realignment	30
Provided for the year	8,438
Disposal of subsidiaries	(4,944)
At 31 December 2009	25,441
CARRYING VALUES	
At 31 December 2009	182,210
At 31 December 2008	195,276

19. INTANGIBLE ASSETS *(Continued)*

At 31 December 2009, the intangible assets mainly represent the Group's exclusive operating rights for city pipeline network and contracted customer base of HK$182,210,000 (2008: HK$188,658,000) and HK$nil (2008: HK$6,618,000), respectively.

Note:

The intangible assets are amortised on a straight-line basis over the following period:

Exclusive operating rights	20 to 30 years
Contracted customer base	3 years

20. GOODWILL

	HK$'000
At 1 January 2008	2,180,291
Currency realignment	952
Acquired on acquisition of subsidiaries	312,032
Transfer of goodwill to interest in a jointly controlled entity	(1,404)
At 31 December 2008	2,491,871
Currency realignment	88
Acquired on acquisition of subsidiaries	260,774
At 31 December 2009	2,752,733

Goodwill acquired in a business combination is allocated to cash generating units ("CGUs") that are expected to benefit from that business combination. The management considers each subsidiary represents a separate CGU for the purpose of goodwill impairment testing. At the end of the reporting period, the carrying amount of goodwill mainly represents goodwill arising from the acquisition of subsidiaries as follows:

	2009 HK$'000	2008 HK$'000
Hong Kong & China Gas (Qingdao) Limited	**325,260**	325,260
Hong Kong & China Gas (Zibo) Limited	**349,826**	349,826
Hong Kong & China Gas (Yantai) Limited	**236,263**	236,263
Hong Kong & China Gas (Weifang) Limited	**135,945**	135,945
Hong Kong & China Gas (Weihai) Limited	**270,646**	270,646
Hong Kong & China Gas (Taian) Limited	**239,452**	239,452
Hong Kong & China Gas (Maanshan) Limited	**284,218**	284,218
Hong Kong & China Gas (Anqing) Limited	**269,390**	269,390
Mianyang Hong Kong and China Gas Co., Ltd. ("Mianyang")	**289,595**	289,595
Gongzhuling Towngas Limited	**22,437**	22,437
Xin Du Hong Kong and China Gas Company Limited, Cheng Du ("Xindu")	**220,096**	–
Xinjin Diyuan Natural Gas Co., Ltd. and Xinjin Nanfang Natural Gas Co., Ltd. ("Xinjin")	**27,151**	–
Others	**82,454**	68,839
	2,752,733	2,491,871

20. GOODWILL *(Continued)*

The recoverable amounts of CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates of 8% (2008: 8%) using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates of 4% to 6% (2008: 4% to 6%) are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The value in use calculations is derived from cash flow projections based on the most recent financial budgets for the next 5 years approved by management. Cash flows beyond 5 year period have been extrapolated using growth rates from 4% to 6% (2008: 4% to 6%) per annum, which is based on industry growth forecasts. The directors of the Company considered no impairment loss is necessary at 31 December 2009.

21. INTEREST IN ASSOCIATES

	2009 **HK$'000**	2008 HK$'000
Cost of investments in associates	**756,715**	632,702
Arising on acquisition of subsidiaries during the year	**–**	2,094
Share of post-acquisition profits, and other reserves net of dividends received	**326,667**	345,357
Goodwill on acquisition of associates	**103,156**	102,922
	1,186,538	1,083,075

Details of the Group's principal associates as at 31 December 2009 are as follows:

Name of associate	**Place of establishment and operation**	**Percentage of equity interest attributable to the Group and voting power attributable to the Group** 2009	2008	**Principal activities**
Foshan Gas Group Ltd. 佛山市燃氣集團股份有限公司	PRC – Sino-foreign equity joint venture	**43%**	43%	Provision of LPG, natural gas and related services and gas pipeline construction
Changchun Gas Holdings Limited 長春燃氣控股有限公司	PRC – Sino-foreign equity joint venture	**48%**	48%	Production and distribution of natural gas, coal gas, LPG, metallurgical coke and coke oil

21. INTEREST IN ASSOCIATES *(Continued)*

Name of associate	Place of establishment and operation	Percentage of equity interest attributable to the Group and voting power attributable to the Group 2009	2008	Principal activities
Shandong Jihua Gas Co., Ltd. 山東濟華燃氣有限公司 (formerly known as Shandong Panva Gas Co., Ltd. 山東百江燃氣有限公司)	PRC – Sino-foreign equity joint venture	**48%**	48%	Provision of LPG, natural gas and related services and gas pipeline construction
Zibo Lubo Gas Company Ltd. 淄博綠博燃氣有限公司	PRC – Sino-foreign equity joint venture	**27%**	27%	Provision of natural gas and related services and gas pipeline construction

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

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

	2009 HK$'000	2008 HK$'000
Total assets	**5,214,816**	4,770,577
Total liabilities	**(2,894,735)**	(2,615,656)
Net assets	**2,320,081**	2,154,921
Revenue	**4,274,899**	4,291,890
Profit for the year	**366,933**	372,088

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES/LOANS TO JOINTLY CONTROLLED ENTITIES

	2009 HK$'000	2008 HK$'000
Cost of investments in jointly controlled entities	**572,147**	552,765
Share of post-acquisition profits, net of dividends received	**169,775**	113,065
Currency realignment	**37,406**	35,859
Share of net assets	**779,328**	701,689
Loans to jointly controlled entities		
– Current portion	**5,682**	84,781
– Non-current portion	**108,060**	101,618
	113,742	186,399

At 31 December 2009, the Group had interests in the following significant jointly controlled entities registered in PRC:

Name of entity	Place of establishment and operation	Proportion of nominal value of registered capital held by the Group 2009	2008	Principal activities
Zibo Hong Kong and China Gas Company Limited 淄博港華燃氣有限公司	PRC – Sino-foreign equity joint venture	**50%**	50%	Provision of natural gas and related services and gas pipeline construction
Weifang Hong Kong and China Gas Company Limited 濰坊港華燃氣有限公司	PRC – Sino-foreign equity joint venture	**50%**	50%	Provision of natural gas and related services and gas pipeline construction
Weihai Hong Kong and China Gas Company Limited 威海港華燃氣有限公司	PRC – Sino-foreign equity joint venture	**50%**	50%	Provision of natural gas and related services and gas pipeline construction
Taian Tai Shan Hong Kong and China Gas Company Limited 泰安泰山港華燃氣有限公司	PRC – Sino-foreign equity joint venture	**50%**	50%	Provision of natural gas and related services and gas pipeline construction
Maanshan Hong Kong and China Gas Company Limited 馬鞍山港華燃氣有限公司	PRC – Sino-foreign equity joint venture	**50%**	50%	Provision of natural gas and related services and gas pipeline construction

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES/LOANS TO JOINTLY CONTROLLED ENTITIES *(Continued)*

Name of entity	Place of establishment and operation	Proportion of nominal value of registered capital held by the Group 2009	2008	Principal activities
Anqing Hong Kong and China Gas Company Limited 安慶港華燃氣有限公司	PRC – Sino-foreign equity joint venture	**50%**	50%	Provision for coal gas and petroleum gas and related service and gas pipeline construction
Hangzhou Panva LPG Co., Ltd. ("Hangzhou Panva") 杭州百江液化氣有限公司	PRC – Limited liability company	**–**	50%	Wholesaling and retailing of LPG
Chongqing Hong Kong and China Gas Company Limited 重慶港華燃氣有限公司	PRC – Limited liability company	**50%**	50%	Provision of natural gas and related services and gas pipeline construction
Jiangxi Jihua Energy Development Company Limited 江西計華能源發展有限公司	PRC – Limited liability company	**60%***	–	Provision of natural gas and related services and gas pipeline construction

* The entity is accounted for as a jointly controlled entity as the Group is only able to appoint 3 out of 5 directors of the Company and according to the shareholders agreement of the Company, in order for any resolutions to be passed at board meetings, it requires at least four directors voting in favour of the resolution.

At 31 December 2009, the aggregate amount of assets and liabilities recognised in the consolidated financial statements in relation to the Group's interests in jointly controlled entities are as follows:

	2009 HK$'000	2008 HK$'000
Current assets	**278,411**	213,273
Non-current assets	**1,147,304**	1,013,463
Current liabilities	**402,917**	230,272
Non-current liabilities	**243,470**	294,775
Income	**741,950**	592,121
Expenses	**667,458**	530,391

22. INTERESTS IN JOINTLY CONTROLLED ENTITIES/LOANS TO JOINTLY CONTROLLED ENTITIES *(Continued)*

The loans to jointly controlled entities are carried at amortised cost with the following details:

Principal amount				Effective interest	Carrying amount	
2009	**2008**	**Maturity date**	**Coupon interest rate**	**rate**	**2009**	2008
					HK$'000	HK$'000
RMB37,650,000	RMB37,650,000	December 2014	Nil	6.12%	**31,534**	29,668
RMB35,000,000	RMB35,000,000	July 2014	Nil	6.12%	**30,023**	28,227
RMB42,530,000	RMB42,530,000	July 2013	Nil	6.12%	**38,344**	36,051
–	RMB40,000,000	April 2009	4.86%	4.86%	**–**	45,781
RMB10,550,000	RMB10,550,000	February 2016	Nil	6.12%	**8,159**	7,672
RMB5,000,000	–	June 2010	5.31%	5.31%	**5,682**	–
–	USD5,000,000	March 2009	Half year lending interest rate published by People's Bank of China + 10 basis points	3.3%	**–**	39,000
					113,742	186,399

The principal and interest will be receivable on the maturity date for each loan.

At the end of the reporting period, there was goodwill of carrying amount HK$102,118,000 arising from acquisition of jointly controlled entities (2008: HK$58,183,000).

23. AVAILABLE-FOR-SALE INVESTMENTS

	2009	2008
	HK$'000	HK$'000
Unlisted shares in the PRC, at cost	**168,853**	169,968

At the end of the reporting period, investments in unlisted equity securities issued by private entities established in the PRC are measured at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

24. DEFERRED CONSIDERATION RECEIVABLE

As part of the consideration for the disposal of certain subsidiaries during the year (see note 35), deferred consideration of HK$379,000,000 is to be settled in cash by the purchaser under five annual instalments of HK$40,000,000 each commencing from June 2010 for five years, and a balancing sum of HK$179,000,000 in June 2015 (the "Balancing Sum"). The Balancing Sum of the consideration is subject to downward adjustment up to an amount of HK$65 million, if on or before June 15, 2015, trade and other receivables of the disposed subsidiaries that were outstanding at the date of disposal have become uncollectible. The amount is secured against the entire share capital of the holding company of the LPG operations disposed of and interest free. The fair value of the deferred consideration at date of initial recognition is determined based on the estimated future cash flows discounted at 3% per annum. The carrying amounts are analysed for reporting purpose as follows:

	2009 **HK$'000**	2008 HK$'000
Non-current assets	**283,325**	–
Current assets (included in trade and other receivables, deposits and prepayments)	**39,321**	–
	322,646	–

The amount of deferred consideration receivable is within credit period. The directors of the Company consider the amounts will be recoverable because the purchaser is of good financial position.

During the year, imputed interest income from deferred consideration receivable is HK$5,548,000.

25. INVENTORIES

	2009 **HK$'000**	2008 HK$'000
Finished goods	**38,300**	82,379
Consumables	**63,556**	110,131
	101,856	192,510

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS/OTHER FINANCIAL ASSETS

	2009 HK$'000	2008 HK$'000
Trade receivables	98,101	101,694
Deferred consideration receivable	39,321	–
Prepayments	128,459	267,131
Other receivables and deposits	90,558	83,458
Amount due from a related company*	127,378	–
	483,817	452,283

* The amount is unsecured, interest-free and repayable on demand. The amount was due from a company in which a former director has beneficial interest. The maximum amount outstanding during the year was HK$127,378,000.

Trade receivables

Included in trade and other receivables, deposits and prepayments are trade receivables of HK$98,101,000 (2008: HK$101,694,000). The Group has a policy of allowing a credit period ranging from 0 to 180 days to its customers. The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	2009 HK$'000	2008 HK$'000
0 to 90 days	90,784	90,550
91 to 180 days	1,504	2,742
181 to 360 days	5,813	8,402
	98,101	101,694

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$819,000 (2008: HK$2,249,000) which have been past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired is as follows:

	2009 HK$'000	2008 HK$'000
0 to 90 days	294	1,802
91 to 180 days	59	290
181 to 360 days	466	157
Total	819	2,249

26. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS/OTHER FINANCIAL ASSETS *(Continued)*

Trade receivables *(Continued)*

Movement in the allowance for doubtful debts for trade and other receivables is as follows:

	2009 HK$'000	2008 HK$'000
Balance at beginning of the year	3,039	–
Impairment losses recognised on receivables	5,000	3,039
Balance at end of the year	8,039	3,039

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

The Directors determined that such receivables neither past due nor impaired are of good credit quality with no history of default.

Other financial assets

The bank balances carry interest at prevailing market rates range from 0.1% to 5.5% (2008: 3.0% to 5.5%) per annum.

At the end of the reporting period, included in the bank balances and cash are the following amount denominated in currency other than the functional currency of the relevant entity to which it relates.

	2009 HK$'000	2008 HK$'000
United States Dollar	186,992	91,458

27. AMOUNTS DUE FROM/TO MINORITY SHAREHOLDERS

The amounts due from/to minority shareholders are unsecured and interest-free.

28. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2009 HK$'000	2008 HK$'000
Trade payables	**214,669**	199,286
Receipt in advance	**560,695**	438,928
Consideration payable	**198,479**	65,769
Amount due to a related company (note a)	**127,378**	–
Other payables and accruals	**217,099**	231,041
Amount due to a shareholder (note b)	**585**	11,905
	1,318,905	946,929

Notes:

(a) The amount is unsecured, interest-free and repayable on demand. The amount is due to a company in which a former director has beneficial interest.

(b) The amount is unsecured, interest-free and repayable on demand.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2009 HK$'000	2008 HK$'000
0 to 90 days	**117,864**	147,761
91 to 180 days	**33,394**	14,431
181 to 360 days	**35,830**	7,689
Over 360 days	**27,581**	29,405
	214,669	199,286

29. BORROWINGS

	2009 HK$'000	2008 HK$'000
Bank loans – secured	–	567
Bank loans – unsecured	1,044,886	560,147
Other loans – unsecured	138,831	156,750
Guaranteed senior notes (note a)	1,109,655	1,105,883
	2,293,372	1,823,347
Carrying amount repayable:		
On demand or within one year	562,035	222,950
More than one year but not exceeding two years	1,435,843	12,516
More than two years but not exceeding five years	233,784	1,544,709
More than five years	61,710	43,172
	2,293,372	1,823,347
Less: Amount due within one year shown under current liabilities	(562,035)	(222,950)
Amount due after one year	1,731,337	1,600,397

Notes

(a) The Company issued US$200,000,000 8.25% guaranteed senior notes due 2011 (the "Guaranteed Senior Notes") on 23 September 2004. The Guaranteed Senior Notes are listed on the Singapore Exchange Securities Trading Limited and are secured by a pledge of shares of certain subsidiaries of the Group. The Guaranteed Senior Notes bear interest at 8.25% per annum, payable semi-annually in arrears. At any time prior to 23 September 2008, the Company may redeem up to 35% of the principal amount of the Guaranteed Senior Notes with the net cash proceeds of one or more sales of the Company's shares in an offering at a redemption price of 108.25% of the principal amount of the Guaranteed Senior Notes, plus accrued and unpaid interest, if any, to the redemption date. The effective interest rate of Guaranteed Senior Notes is 8.69%. The outstanding principal amount of the Guaranteed Senior Notes will be repaid in 2011 at 100%.

During the year ended 31 December 2008, the Company purchased the Guaranteed Senior Notes with a principal amount of US$8,000,000 at prices ranging from US$94 to US$95.25 in the open market. At 31 December 2009, Guaranteed Senior Notes with a principal amount of US$141,000,000 (2008: US$141,000,000) are still outstanding in the market. At 31 December 2009, the market value of the Guaranteed Senior Notes amounted to US$153,338,000 (equivalent to approximately HK$1,188,370,000) (2008: US$135,360,000).

29. BORROWINGS *(Continued)*

(b) The bank and other loans mainly comprise of:

	Maturity date	Effective interest rate	Carrying amount 2009 HK$'000	2008 HK$'000
Floating-rate bank loans:				
Unsecured HKD bank loan of HKD200,000,000 at Hong Kong Interbank Offered Rate +0.55%	6 December 2010	0.70%	**200,000**	200,772
Unsecured RMB bank loan of RMB46,500,000 at 90% of basic borrowing rate announced by People's Bank of China	Revolving credit to settle within 6 months from date of drawdown	4.37%	**52,841**	52,721
Unsecured HKD bank loan of HKD200,000,000 at Hong Kong Interbank Offered Rate +1.05%	22 October 2013	1.2%	**200,000**	200,000
Unsecured HKD bank loan of HKD100,000,000 at Hong Kong Interbank Offered Rate +0.4%	23 March 2010	0.55%	**100,000**	100,000
Unsecured HKD bank loan of HKD50,000,000 at Hong Kong Interbank Offered Rate +1.65%	11 June 2011	1.74%	**50,000**	–
Unsecured HKD bank loan of HKD50,000,000 at Hong Kong Interbank Offered Rate +1.65%	26 August 2011	1.74%	**50,000**	–
Unsecured HKD bank loan of HKD150,000,000 at Hong Kong Interbank Offered Rate +1.65%	30 November 2011	1.71%	**150,000**	–
Unsecured HKD bank loan of HKD50,000,000 at Hong Kong Interbank Offered Rate +1.9%	30 October 2010	2.05%	**50,000**	–
Fixed rate loans:				
Unsecured RMB bank loans of RMB100,000,000 at 4.78%	5 May 2010	4.78%	**113,636**	–
Other unsecured RMB bank loans of RMB69,000,000	4 June 2010 to 6 July 2011	4.86% to 8.64%	**78,409**	–
Unsecured RMB other loans of RMB47,000,000 (2008: RMB76,323,000)	Partial repayment matured and instalment repayment until 2018	2.55% to 6%	**53,409**	78,209
Other secured bank loans and other unsecured loans	Partial repayment matured and instalment repayment until 2030	1.15% to 6.00%	**85,422**	85,762
Total bank loans and other loans			**1,183,717**	717,464

30. LOANS FROM A SHAREHOLDER

The amount represents an unsecured loan denominated in USD and HKD, bears interest at 1.25% plus the Hong Kong Interbank Offered Rate per annum and is repayable in the fifth year from the date of the relevant draw down of the loan.

Principal outstanding	Maturity	Effective interest rate	Carrying amount 2009 HK$'000	2008 HK$'000
HK$277,615,000 (2008: HK$246,614,000)	April 2013 – May 2014 (2008: April – December 2013) (according to date of draw down)	3.26% (2008: 4.25%)	**277,615**	246,614
US$25,000,000 (2008: US$25,000,000)	December 2012	3.26% (2008: 4.25%)	**193,750**	193,750
			471,365	440,364

31. DEFERRED TAXATION

The following is the major deferred tax liability recognised and movements thereon during the current year:

	Accelerated tax depreciation HK$'000	Intangible assets HK$'000	Undistributed profits of jointly controlled entities/ an associate HK$'000	Total HK$'000
At 1 January 2008	–	49,973	–	49,973
Currency realignment	–	2,879	124	3,003
(Credit) charge for the year	–	(2,444)	9,935	7,491
At 31 December 2008	–	50,408	10,059	60,467
Acquired on acquisition of subsidiaries	24,487	–	–	24,487
Disposal of subsidiaries	–	–	(4,807)	(4,807)
Currency realignment	–	31	12	43
(Credit) charge for the year	–	(1,849)	8,219	6,370
At 31 December 2009	24,487	48,590	13,483	86,560

At the end of the reporting period, deferred tax liability not recognised in respect of the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries were HK$3,135,000 (2008: HK$1,207,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

32. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
Shares of HK$0.10 each	3,000,000,000	300,000
Issued and fully paid:		
Shares of HK$0.10 each	1,958,360,330	195,836

A summary of the movements in the authorised share capital is as follows:

	Number of shares	HK$'000
At 1 January 2008, 31 December 2008 and 31 December 2009	3,000,000,000	300,000

A summary of the movements in the issued and fully paid capital of the Company is as follows:

	Number of shares	HK$'000
At 1 January 2008	1,956,350,330	195,635
Issue of shares on exercise of share options (note a)	1,206,000	121
At 31 December 2008 and 1 January 2009	1,957,556,330	195,756
Issue of shares on exercise of share options (note b)	804,000	80
At 31 December 2009	1,958,360,330	195,836

Notes:

(a) During the year ended 31 December 2008, the Company allotted and issued 643,200 and 562,800 shares of HK$0.10 each for cash at the exercise price of HK$3.483 and HK$0.473 per share respectively as a result of the exercise of share options.

(b) During the year ended 31 December 2009, the Company allotted and issued 804,000 shares of HK$0.10 each for cash at the exercise price of HK$2.796 per share as a result of the exercise of share options.

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

33. RESERVES

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

Capital reserve represents the deemed contribution arising from waiver of loans from the minority shareholders of the subsidiaries.

34. ACQUISITION OF SUBSIDIARIES/BUSINESSES

Acquisitions in 2009

In April 2009, the Group completed the acquisition of 100% equity interest in Xindu, which is engaged in the operation of piped gas assets and related business in Xindu area of Chengdu of the PRC at an aggregate consideration of HK$286,848,000 from an independent vendor. This transaction has been accounted for by the acquisition method of accounting.

The aggregate net assets acquired in the transaction, and the goodwill arising on acquisition, are as follows:

	Acquirees' carrying amount at acquisition date HK$'000	Fair value adjustments HK$'000	Acquirees' carrying amount and fair value at acquisition date HK$'000
Net assets acquired:			
Property, plant and equipment	21,292	38,268	59,560
Leasehold land	559	8,758	9,317
Trade receivables	7,942	–	7,942
Other receivables, deposits and prepayments	2,610	–	2,610
Bank balances and cash	26,466	–	26,466
Taxation recoverable	2,106	–	2,106
Trade payables	(3,822)	–	(3,822)
Other payables and accrued charges	(25,715)	–	(25,715)
Deferred taxation	–	(11,712)	(11,712)
Net assets acquired	31,438	35,314	66,752
Goodwill arising on acquisition			220,096
Total consideration			286,848
Satisfied by:			
Cash consideration			171,848
Other payables			115,000
			286,848
Net cash outflow arising on acquisition:			
Cash consideration			171,848
Bank balances and cash acquired			(26,466)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			145,382

The goodwill on acquisition of the above subsidiary represents value obtainable from synergies with the Group and opportunities for the Group to bring its expertise to the proposition and access to the region of PRC that are provided by the above newly acquired subsidiary.

Xindu contributed HK$87,216,000 to the Group's turnover and HK$13,743,000 to the Group's profit before taxation for the period between the date of acquisition and the end of the reporting period.

34. ACQUISITION OF SUBSIDIARIES/BUSINESSES *(Continued)*

Acquisitions in 2009 *(Continued)*

In May 2009, the Group completed the acquisition of 60% equity interest in Xinjin, which is engaged in the operation of piped gas assets and related business in Xinjin area of Chengdu of the PRC at an aggregate consideration of HK$68,026,000 from an independent vendor. This transaction has been accounted for by the acquisition method of accounting.

The aggregate net assets acquired in the transaction, and the goodwill arising on acquisition, are as follows:

	Acquirees' carrying amount at acquisition date HK$'000	Fair value adjustments HK$'000	Acquirees' carrying amount and fair value at acquisition date HK$'000
Net assets acquired:			
Property, plant and equipment	27,905	27,458	55,363
Leasehold land	2,514	17,807	20,321
Inventories	4,455	–	4,455
Other receivables, deposits and prepayments	40,364	–	40,364
Bank balances and cash	3,670	–	3,670
Trade payables	(7,343)	–	(7,343)
Other payables and accrued charges	(30,737)	–	(30,737)
Taxation payable	(977)	–	(977)
Borrowings	(5,672)	–	(5,672)
Deferred taxation	–	(11,319)	(11,319)
Net assets acquired	34,179	33,946	68,125
Minority interests			(27,250)
Goodwill arising on acquisition			27,151
Total consideration			68,026
Satisfied by:			
Cash consideration			40,815
Amounts due to minority shareholders			27,211
			68,026
Net cash outflow arising on acquisition:			
Cash consideration			40,815
Bank balances and cash acquired			(3,670)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			37,145

The goodwill on acquisition of the above subsidiary represents value obtainable from synergies with the Group and opportunities for the Group to bring its expertise to the proposition and access to the region of PRC that are provided by the above newly acquired subsidiary.

Xinjin contributed HK$27,576,000 to the Group's turnover and HK$8,470,000 to the Group's profit before taxation for the period between the date of acquisition and the end of the reporting period.

34. ACQUISITION OF SUBSIDIARIES/BUSINESSES *(Continued)*

Acquisitions in 2009 *(Continued)*

During the year ended 31 December 2009, the Group paid a consideration of HK$38,647,000 to an independent vendor to acquire a gas pipeline business, including related assets located in Chiping of Shandong Province of the PRC ("Chiping Towngas"). The acquisition enabled the Group to continue the operation of the existing natural gas business which the vendor previously engaged. This transaction has been accounted for using the purchase method of accounting.

The aggregate net assets acquired in the transaction, and the goodwill arising on acquisition, are as follows:

	Acquirees' carrying amount at acquisition date HK$'000	Fair value adjustments HK$'000	Acquirees' carrying amount and fair value at acquisition date HK$'000
Net assets acquired:			
Property, plant and equipment	18,298	2,649	20,947
Leasehold land	7,125	3,173	10,298
Inventories	814	–	814
Trade receivables	984	–	984
Other receivables, deposits and prepayments	340	–	340
Bank balances and cash	1,785	–	1,785
Other payables and accrued charges	(4,160)	–	(4,160)
Deferred taxation	–	(1,456)	(1,456)
Net assets acquired	25,186	4,366	29,552
Minority interests			(4,432)
Goodwill arising on acquisition			13,527
Total consideration			38,647
Satisfied by:			
Cash consideration			9,670
Amounts due to minority shareholders			28,977
			38,647
Net cash outflow arising on acquisition:			
Cash consideration			9,670
Bank balances and cash acquired			(1,785)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			7,885

The goodwill on acquisition of the above business represents value obtainable from synergies with the Group and opportunities for the Group to bring its expertise to the proposition and access to the region of PRC that are provided by the above newly acquired business.

34. ACQUISITION OF SUBSIDIARIES/BUSINESSES *(Continued)*

Acquisitions in 2009 *(Continued)*

Chiping contributed HK$9,756,000 to the Group's turnover and HK$1,053,000 to the Group's profit before taxation for the period between the date of acquisition and the end of the reporting period.

During the year, the Group completed the acquisition of 100% equity interest in a business, which is engaged in the operation of piped gas assets and related business in Qiqihar of the PRC at an aggregate consideration of HK$35,735,000 from an independent vendor. This transaction has been accounted for by the acquisition method of accounting.

The aggregate net assets acquired in the transaction, and the goodwill arising on acquisition, are as follows:

	Acquirees' carrying amount at acquisition date HK$'000	Fair value adjustments HK$'000	Acquirees' carrying amount and fair value at acquisition date HK$'000
Net assets acquired:			
Property, plant and equipment	23,774	10,158	33,932
Leasehold land	9,013	–	9,013
Inventories	1,187	–	1,187
Trade receivables	730	–	730
Other receivables, deposits and prepayments	136	–	136
Bank balances and cash	1,469	–	1,469
Trade payables	(496)	–	(496)
Other payables and accrued charges	(5,508)	–	(5,508)
Borrowings	(3,575)	–	(3,575)
Net assets acquired	26,730	10,158	36,888
Discount on acquisition			(1,153)
Total consideration			35,735
Satisfied by:			
Cash consideration			35,735
Net cash outflow arising on acquisition:			
Cash consideration			35,735
Bank balances and cash acquired			(1,469)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			34,266

34. ACQUISITION OF SUBSIDIARIES/BUSINESSES *(Continued)*

Acquisitions in 2009 *(Continued)*

The goodwill on acquisition of the above subsidiary represents value obtainable from synergies with the Group and opportunities for the Group to bring its expertise to the proposition and access to the region of PRC that are provided by the above newly acquired subsidiary.

If the acquisitions had been completed on 1 January 2009, total group revenue for the year would have been HK$2,950,000,000 and profit for the year would have been HK$322,649,000. The pro forma information is for illustrative purpose only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

Acquisitions in 2008

In January 2008, the Group completed the acquisition of 100% equity interest in Mianyang, which is engaged in the operation of piped gas assets and related business in PRC at an aggregate consideration of HK$381,481,000. This transaction has been accounted for by the acquisition method of accounting.

The aggregate net assets acquired in the transaction, and the goodwill arising on acquisition, are as follows:

	Acquirees' carrying amount and fair value at acquisition date HK$'000
Net assets acquired:	
Property, plant and equipment	69,894
Leasehold land	7,508
Interest in an associate	2,094
Inventories	2,751
Trade receivables	1,701
Other receivables, deposits and prepayments	1,198
Bank balances and cash	27,187
Trade payables	(4,368)
Other payables and accrued charges	(7,618)
Taxation payable	(3,917)
Net assets acquired	96,430
Minority interests	(4,544)
Goodwill arising on acquisition	289,595
Total consideration	381,481
Satisfied by:	
Other payables	37,393
Deposit paid for acquisition of a subsidiary	344,088
	381,481
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	27,187

34. ACQUISITION OF SUBSIDIARIES/BUSINESSES *(Continued)*

Acquisitions in 2008 *(Continued)*

Also, in 2008, the Group paid a consideration of HK$60,296,000 to a vendor to acquire a gas pipeline business, including related assets located in Gongzhuling of Jilin Province of the PRC. The acquisition on 8 January 2008 enable the Group to operate the existing natural gas business which the vendor previously engaged. This transaction has been accounted for using the purchase method of accounting.

The aggregate net assets acquired in the transaction, and the goodwill arising on acquisition, are as follows:

	Acquirees' carrying amount and fair value at acquisition date HK$'000
Net assets acquired:	
Property, plant and equipment	25,775
Leasehold land	3,961
Interest in jointly controlled entities	2,777
Inventories	734
Trade receivables	3,754
Other receivables, deposits and prepayments	376
Bank balances and cash	482
Net assets acquired	37,859
Goodwill arising on acquisition	22,437
Total consideration	60,296
Satisfied by:	
Cash consideration	31,920
Other payables	28,376
	60,296
Net cash outflow arising on acquisition:	
Cash consideration	31,920
Bank balances and cash acquired	(482)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	31,438

The goodwill on acquisitions of the above businesses represents value obtainable from synergies with the Group and opportunities for the Group to bring its expertise to the proposition and access to the region of PRC that are provided by the above newly acquired business.

35. DISPOSAL OF SUBSIDIARIES

On 4 June 2009, the Group discontinued its LPG operations at the time of disposal of its subsidiary, Panva LPG Investment Holdings Limited to a purchaser, which is related to the Group as it is an associate of a former executive director of the Company. The net assets of Panva LPG Investment Holdings Limited at the date of disposal were as follows:

	4.6.2009 HK$'000
NET ASSETS DISPOSED OF	
Property, plant and equipment	251,674
Leasehold land	60,378
Intangible assets	5,080
Interests in a jointly controlled entity	34,027
Available-for-sale investments	1,135
Inventories	149,701
Trade receivables	32,247
Other receivables and prepayments	172,969
Bank balances and cash	246,474
Trade payables	(9,530)
Other creditors and accruals	(184,631)
Taxation	(16,612)
Bank loan	(8,765)
Deferred taxation	(4,807)
	729,340
Minority interests	(356,160)
Exchange gain realised	(11,541)
	361,639
Gain on disposal	458
Total consideration	362,097
Satisfied by:	
Cash	40,000
Deferred consideration	322,097
	362,097
Net cash outflow arising on disposal:	
Cash consideration	40,000
Bank balances and cash disposed of	(246,474)
	(206,474)

The deferred consideration will be settled in cash by the purchaser on or before 3 June 2015.

36. DEEMED DISPOSAL OF A SUBSIDIARY

Hangzhou Panva was a subsidiary of the Company as at 31 December 2007 as the Group had 50% equity interest and controlled the majority of the board of directors of Hangzhou Panva. Pursuant to a shareholder's resolution on 28 September 2008 of Hangzhou Panva, the Group agreed with the other shareholder of Hangzhou Panva that the Group no longer control majority of the board of directors of Hangzhou Panva and accordingly the Group lost control over Hangzhou Panva. Since 28 September 2008, Hangzhou became a jointly controlled entity of the Group. The net assets of Hangzhou at the date of disposal were as follows:

	Net assets value at date of disposal HK$'000
NET ASSETS DISPOSED OF	
Property, plant and equipment	15,283
Inventories	12,942
Trade receivables	8,616
Other receivables	7,376
Bank balances and cash	23,311
Trade payables	(6,303)
Other payables	(15,717)
Taxation	308
	45,816
Minority interests	(22,908)
Attributable goodwill	1,404
Transferred to interests in jointly controlled entities	24,312
Bank balances and cash disposed of	23,311

37. RELATED PARTY TRANSACTIONS

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

Name of related party	Nature of transactions	2009 HK$'000	2008 HK$'000
Hong Kong & China Gas Company Limited (note a)	Loan facility (See note 30)	**471,365**	440,364
	Interest expense	**15,095**	14,294
	Management fee	**1,685**	–
GH – Fusion Corporation Limited (note b)	Purchase of construction materials	**3,943**	877
	Sales of parts and components of gas pipelines	**1,181**	1,776
Shanxi Hong Kong & China Coalbed Gas Company Limited (note b)	Purchase of coalbed methane	**4,572**	–
Hong Kong and China Technology (Wuhan) Limited (note b)	Purchase of computerised customer relations management system	**1,432**	1,375
ECO Environmental Investments Limited (note b)	Office licence income	**313**	143
Anhui Province Natural Gas Development Company Limited (note b)	Purchase of compressed natural gas	**229**	–
Yingkou Hong Kong and China Gas Company Limited (note b)	Vehicle leasing expense	**284**	341

Notes:

(a) The ultimate holding company of the Company.

(b) The ultimate holding company of the Company has a beneficial interest in these companies.

The key management personnel are the executive directors of the Company. The details of the remuneration paid to them are set out in note 12.

38. OPERATING LEASE COMMITMENTS

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

	2009 HK$'000	2008 HK$'000
Within one year	6,950	14,409
In the second to fifth year inclusive	7,119	26,078
Over five years	684	13,566
	14,753	54,053

Operating lease payments represent rental payable by the Group for certain of its office properties. Leases are negotiated for terms up to 20 years.

39. COMMITMENTS

	2009 HK$'000	2008 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	29,083	40,252
Capital injection contracted for but not provided in the consolidated financial statements in respect of		
– investment in an associate	22,211	–
– investment in a subsidiary	–	68,027

40. SHARE OPTIONS

The Company's Pre-GEM Share Option Scheme (the "Pre-GEM Share Option Scheme") and share option scheme (the "Scheme") were adopted pursuant to resolutions passed on 4 April 2001 for providing incentives to directors and eligible employees and, unless otherwise cancelled or amended, will expire on 3 April 2011. Under the Pre-GEM Share Option Scheme and the Scheme, the Board of the Company may grant options to eligible employees, including executive directors of the Company or any of its subsidiaries, to subscribe for shares in the Company.

40. SHARE OPTIONS *(Continued)*

Pursuant to a share option scheme adopted by the shareholders of the Company at the annual general meeting held on 24 April 2005 (the “2005 GEM Share Option Scheme”) and approved by Sinolink Worldwide Holdings Limited (“Sinolink”) pursuant to an ordinary resolution passed at the annual general meeting of Sinolink held on 18 May 2005, the Company may grant options to the directors or employees of the Company or its subsidiaries, for the recognition of their contributions to the Group, to subscribe for shares in the Company. In addition, pursuant to a share option scheme adopted by the shareholders of the Company at an extraordinary general meeting held on 28 November 2005 (the “New Scheme”) and approved by Enerchina Holdings Limited (“Enerchina”) and Sinolink pursuant to an ordinary resolution passed at the respective special general meeting of Enerchina and Sinolink held on 28 November 2005, the Company may grant options to the directors or employees of the Company or its subsidiaries, for the recognition of their attributions to the Group, to subscribe for shares in the Company.

The 2005 GEM Share Option Scheme has replaced the Scheme, there will be no options granted under the Scheme in the future but the options granted during its life shall continue to be valid and exercisable in accordance with their terms of issue. The provision of the Scheme shall remain in full force and effect.

The 2005 GEM Share Option Scheme and the New Scheme remained in force for a period of 10 years commencing on the date of adoption of the scheme, i.e. 18 May 2005 and 28 November 2005 respectively.

The share options under the 2005 GEM Share Option Scheme (the “2005 GEM Options”) and the New Scheme (the “New Scheme Options”) are exercisable at any time for a period to be determined by the directors, which shall not be more than 10 years after the date of grant.

The 2005 GEM Options granted or the New Scheme Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option.

40. SHARE OPTIONS *(Continued)*

Movements of the share options, which were all held by directors and senior management, during the year were as follows:

	Number of share options						
	Outstanding at the beginning of the year	Granted during the year	Adjustment during the year (note c)	Exercised during the year	Forfeited during the year	Outstanding at the end of the year	Exercisable share options at the end of the year
For the year ended 31 December 2008							
Pre-GEM Listing options	4,180,800	–	–	(562,800)	–	3,618,000	3,618,000
The Scheme							
2004 options (note a)	15,909,150	–	–	(643,200)	–	15,265,950	15,265,950
New Scheme							
2006 options (note b)	4,160,000	–	20,800	–	–	4,180,800	4,180,800
2007 options (note b)	14,600,000	–	73,000	–	–	14,673,000	4,401,900
	38,849,950	–	93,800	(1,206,000)	–	37,737,750	27,466,650
Weighted average exercise price	3.217	–	3.604	2.078	–	3.246	3.035
For the year ended 31 December 2009							
Pre-GEM Listing options	**3,618,000**	**–**	**–**	**–**	**–**	**3,618,000**	**3,618,000**
The Scheme							
2004 options (note a)	**15,265,950**	**–**	**–**	**–**	**(2,502,450)**	**12,763,500**	**12,763,500**
New Scheme							
2006 options (note b)	**4,180,800**	**–**	**–**	**(804,000)**	**(1,206,000)**	**2,170,800**	**2,170,800**
2007 options (note b)	**14,673,000**	**–**	**–**	**–**	**–**	**14,673,000**	**8,803,800**
	37,737,750	**–**	**–**	**(804,000)**	**(3,708,450)**	**33,225,300**	**27,356,100**
Weighted average exercise price	**3.246**	**–**	**–**	**2.796**	**3.260**	**3.255**	**3.165**

The weighted average price of the Company's shares at the date of exercise of 804,000 options on 22 October 2009 was HK$3.40.

40. SHARE OPTIONS *(Continued)*

Had all the outstanding vested share options been fully exercised on 31 December 2009, the Company would have received cash proceeds of HK$85,787,000 (2008: HK$83,347,000). Details of specific categories of options are as follows:

Option type	Date of grant	Vesting proportion	Exercisable period	Exercise price HK$	
Pre-GEM Listing options	04.04.2001	50%	01.01.2003 – 03.04.2011	0.473	(note c)
		50%	01.01.2004 – 03.04.2011	0.473	(note c)
2004 options (note a)	19.11.2004	30%	31.12.2005 – 30.03.2011	3.483	(note c)
		30%	31.12.2006 – 30.03.2011	3.483	(note c)
		40%	31.12.2007 – 30.03.2011	3.483	(note c)
2006 options (note b)	03.10.2006	30%	04.10.2007 – 27.11.2015	2.796	
		30%	04.04.2008 – 27.11.2015	2.796	
		40%	04.10.2008 – 27.11.2015	2.796	
2007 options (note b)	16.03.2007	30%	16.03.2009 – 27.11.2015	3.811	
		30%	16.03.2009 – 27.11.2015	3.811	
		40%	16.03.2010 – 27.11.2015	3.811	

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

The Group recognised total expenses of HK$3,715,000 (2008: HK$8,644,000) for the year ended 31 December 2009 in relation to share options granted by the Company.

Notes:

a. The 2004 option represented the share options granted under the Scheme.

b. The 2006 and 2007 option represented the share options granted under the New Scheme.

c. The exercise price and number of share options has been adjusted as the result of open offer of ordinary shares during the year ended 31 December 2007.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

41. RETIREMENT BENEFIT SCHEMES

The Group's subsidiaries operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. The Group is required to make specific contributions to the retirement schemes at a rate of 12 to 25 percent of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made. Pursuant to these arrangements, the retirement plan contributions charge for the year ended 31 December 2009 amounted to approximately HK$28,247,000 (2008: HK$31,882,000).

The Group has joined a MPF Scheme for all its non-PRC employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme. For the year ended 31 December 2009, the Group made retirement benefit scheme contributions amounting to HK$507,000 (2008: HK$557,000).

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 December 2009 and 2008 are as follows:

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2009	2008	Principal activities
Directly-owned subsidiaries					
Towngas China Group Limited (former known as China Pan River Group Ltd.)	BVI – Limited liability company	US$12,821	100%	100%	Investment holding
Panva LPG Investment Holdings Limited	BVI – Limited liability company	US$10,000,000	–	100%	Investment holding
Hong Kong & China Gas (Qingdao) Limited	BVI – Limited liability company	US$1	100%	100%	Investment holding
Hong Kong & China Gas (Zibo) Limited	BVI- Limited liability company	US$1	100%	100%	Investment holding
Hong Kong & China Gas (Yantai) Limited	BVI- Limited liability company	US$1	100%	100%	Investment holding

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2009	2008	Principal activities
Directly-owned subsidiaries (Continued)					
Hong Kong & China Gas (Weifang) Limited	BVI- Limited liability company	US$1	100%	100%	Investment holding
Hong Kong & China Gas (Weihai) Limited	BVI- Limited liability company	US$1	100%	100%	Investment holding
Hong Kong & China Gas (Taian) Limited	BVI- Limited liability company	US$1	100%	100%	Investment holding
Hong Kong & China Gas (Maanshan) Limited	BVI- Limited liability company	US$1	100%	100%	Investment holding
Hong Kong & China Gas (Anqing) Limited	BVI- Limited liability company	US$1	100%	100%	Investment holding
Indirectly-owned subsidiaries					
Benxi Hong Kong and China Gas Company Limited 本溪港華燃氣有限公司	PRC – Limited liability company	RMB97,824,900	80%	80%	Provision of natural gas and related services and gas pipeline construction
Cangxi Hong Kong and China Gas Company Limited 蒼溪港華燃氣有限公司	PRC – Limited liability company	RMB10,000,000	100%	100%	Provision of natural gas and related services and gas pipeline construction
Changsha Pan River Enterprises Co., Ltd. 長沙百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB40,000,000	–	60%	Wholesaling and retailing of LPG
Chaoyang Hong Kong and China Gas Company Limited 朝陽港華燃氣有限公司	PRC – Limited liability company	RMB89,248,000	90%	90%	Provision of natural gas and related services and gas pipeline construction

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2009	2008	Principal activities
Indirectly-owned subsidiaries (Continued)					
Chenzhou Pan River Gas Industry Co., Ltd. 郴州百江燃氣實業有限公司	PRC – Sino-foreign equity joint venture	RMB9,000,000	–	60%	Wholesaling and retailing of LPG
China Overlink Holdings Co., Limited	BVI – Limited liability company	US$1	100%	100%	Investment holding
Chi Ping Hong Kong and China Gas Co., Ltd. 茌平港華燃氣有限公司	PRC – Sino-foreign equity joint venture	Issued and fully paid: RMB20,400,000 Registered capital: RMB40,000,000	85%	–	Provision of natural gas and related services and gas pipeline construction
Chizhou Hong Kong and China Gas Company Limited 池州港華燃氣有限公司	PRC – Wholly foreign–owned enterprise	RMB20,000,000	100%	100%	Provision of natural gas and related services and gaspipeline construction
Dayi Hong Kong and China Gas Company Limited 大邑港華燃氣有限公司	PRC – Limited liability company	RMB10,000,000 (2008: RMB3,300,000)	100%	100%	Provision of natural gas and related services and gas pipeline construction
Fuxin Hong Kong and China Gas Co., Ltd. 阜新港華燃氣有限公司	PRC – Limited liability company	RMB77,200,000	90%	90%	Provision of natural gas and related services and gas pipeline construction
Gao Chun Hong Kong and China Gas Co., Ltd. 南京高淳港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	US$1,010,000	100%	100%	Provision of LPG and related services and gas pipeline construction

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2009	2008	Principal activities
Indirectly-owned subsidiaries (Continued)					
Gongzhuling Towngas Limited 公主嶺港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB53,000,000	100%	100%	Provision of natural gas and related services and gas pipeline construction
Huangshan Hong Kong and China Gas Co., Ltd 黃山港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB40,000,000	100%	100%	Provision of natural gas and related services and gas pipeline construction
Huangshan Huizhou Hong Kong and China Gas Co., Ltd. 黃山徽州港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	US$2,100,000	100%	–	Provision of natural gas and related services and gas pipeline construction
Huangshan Taiping Hong Kong and China Gas Co., Ltd. 黃山太平港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	US$3,500,000	100%	–	Provision of natural gas and related services and gas pipeline construction
Jianyang Hong Kong and China Gas Co., Ltd. 簡陽港華燃氣有限公司	PRC – Limited liability company	RMB10,000,000	100%	100%	Provision of natural gas and related services and gas pipeline construction
Jinan Jihua Gas Co., Ltd. 濟南濟華燃氣有限公司 (formerly known as Jinan Panva Gas Co., Ltd. 前稱濟南百江燃氣有限公司)	PRC – Sino-foreign equity joint venture	RMB100,000,000	51%	51%	Provision of natural gas and related services and gas pipeline construction

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2009	2008	Principal activities
Indirectly-owned subsidiaries (Continued)					
Jinan Panva LPG Co., Ltd. 濟南百江液化氣有限公司	PRC – Limited liability company	RMB20,000,000	–	70%	Wholesaling and retailing of LPG
Lezhi Hong Kong and China Gas Co., Ltd. 樂至港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB10,000,000	100%	100%	Provision of natural gas and related services and gas pipeline construction
Longkou Hong Kong and China Gas Co Ltd 龍口港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB30,000,000	100%	100%	Provision of natural gas and related services and gas pipeline construction
Mianyang Hong Kong and China Gas Company Limited 綿陽港華燃氣有限公司	PRC – Limited liability company	RMB90,000,000	100%	100%	Provision of natural gas and related services and gas pipeline construction
Nanjing Panva LPG Company Ltd. 南京百江液化氣有限公司	PRC – Sino-foreign equity joint venture	US$6,000,000	–	55%	Wholesaling and retailing of LPG
Pan River Enterprises (Changde) Co., Ltd. 常德百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB6,000,000	–	85%	Wholesaling and retailing of LPG
Pan River Enterprises (Hengyang) Co., Ltd. 衡陽百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB6,000,000	–	84%	Wholesaling and retailing of LPG
Pan River Enterprises (Wuhu) Co., Ltd. 蕪湖百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB32,000,000	–	55%	Wholesaling and retailing of LPG

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2009	2008	Principal activities
Indirectly-owned subsidiaries (Continued)					
Pan River Gas (China Southwest) Co., Ltd. ("Southwest Panva") 百江西南燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB57,500,000	–	50.1%	Wholesaling and retailing of LPG
Pan River Gas (Zunyi) Co., Ltd. 遵義百江燃氣有限公司	PRC – Limited liability company	RMB4,200,000	–	50.1%	Wholesaling and retailing of LPG
Panriver Investments Company Limited	Hong Kong – Limited liability company	HK$1	–	100%	Investment holding
Panva Gas (Yunnan) Co., Ltd. 雲南百江燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB58,840,000	–	28.53% (note a)	Wholesaling and retailing of LPG
Pengshan Hong Kong and China Gas Company Limited 彭山港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB10,000,000 (2008: RMB9,000,000)	70%	70%	Provision of natural gas and related services and gas pipeline construction
Pengxi Hong Kong and China Gas Company Limited 蓬溪港華燃氣有限公司	PRC – Limited liability company	RMB3,590,000	90%	90%	Provision of natural gas and related services and gas pipeline construction
Pingchang Hong Kong and China Gas Company Limited 平昌港華燃氣有限公司	PRC – Limited liability company	RMB4,900,000	90%	90%	Provision of natural gas and related services and gas pipeline construction
Qingdao Dong Yi Hong Kong and China Gas Co Ltd 青島東億港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB 30,000,000	60%	60%	Provision of natural gas and related services and gas pipeline construction

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2009	2008	Principal activities
Indirectly-owned subsidiaries (Continued)					
Qingdao Zhongji Hong Kong and China Gas Co Ltd 青島中即港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB 30,000,000	**90%**	90%	Provision of natural gas and related services and gas pipeline construction
Qing Yuan Hong Kong and China Gas Company Limited 清遠港華燃氣有限公司	PRC – Limited liability company	RMB10,000,000	**80%**	90%	Provision of natural gas and related services and gas pipeline construction
Qiqihar Hong Kong and China Gas Company Limited 齊齊哈爾港華燃氣有限公司	PRC – Limited liability company	RMB80,000,000	**61.67%**	61.67%	Provision of natural gas and related services and gas pipeline construction
Shao Guan Hong Kong and China Gas Co., Ltd. 韶關港華燃氣有限公司	PRC – Limited liability company	RMB20,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Shenyang Hong Kong and China Gas Company Limited 瀋陽港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	Issued and fully paid: USD6,500,000 Registered capital: USD8,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Tieling Hong Kong and China Gas Company Limited 鐵嶺港華燃氣有限公司	PRC – Limited liability company	USD12,480,000 (2008: RMB49,210,000)	**80%**	80%	Provision of natural gas and related services and gas pipeline construction
Towngas Investments Limited 港華燃氣投資有限公司	PRC – Limited liability company	US$200,000,000	**100%**	100%	Investment holding

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2009	2008	Principal activities
Indirectly-owned subsidiaries (Continued)					
Weiyuan Hong Kong and China Gas Company Limited 威遠港華燃氣有限公司	PRC – Limited liability company	RMB5,000,000	99.5%	99.5%	Provision of natural gas and related services and gas pipeline construction
Wuhan Wumei Panva Gas Co., Ltd. 武漢武煤百江燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB80,000,000	–	50%	Wholesaling and retailing of LPG
Xiang Tan Pan River Energy Industry Co., Ltd. 湘潭百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB10,000,000	–	60%	Wholesaling and retailing of LPG
Xin Du Hong Kong and China Gas Company Limited, Cheng Du 成都新都港華燃氣有限公司	PRC – Limited liability company	RMB22,000,000	100%	–	Provision of natural gas and related services and gas pipeline construction
Xinjin Diyuan Natural Gas Co., Ltd. 新津縣地源天然氣有限責任公司	PRC – Limited liability company	RMB12,000,000	60%	–	Provision of natural gas and related services and gas pipeline construction
Xinjin Nanfang Natural Gas Co., Ltd. 新津南方天然氣有限公司	PRC – Limited liability company	RMB11,500,000	60%	–	Provision of natural gas and related services and gas pipeline construction
Yangzhou YPC & Panva Gas Co., Ltd. 揚州揚子石化百江燃氣有限公司	PRC – Limited liability company	RMB10,000,000	–	27.5% (note b)	Wholesaling and retailing of LPG
Yang Jiang Hong Kong and China Gas Company Limited 陽江港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100%	–	Provision of natural gas and related services and gas pipeline construction

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2009	2008	Principal activities
Indirectly-owned subsidiaries (Continued)					
Yiyang Pan River Enterprises Co., Ltd. 益陽百江能源實業有限公司	PRC – Sino-foreign equity joint venture	RMB5,000,000	–	60%	Wholesaling and retailing of LPG
YPC & Panva Energy Co., Ltd. ("Yangzi Panva") 揚子石化百江能源有限公司	PRC – Sino-foreign equity joint venture	US$7,230,000	–	50% (note c)	Wholesaling and retailing of LPG
Yuechi Hong Kong and China Gas Company Limited 岳池港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB8,000,000	90%	90%	Provision of natural gas and related services and gas
Zhongjiang Hong Kong and China Gas Company Limited 中江港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB8,000,000	100%	100%	Provision of natural gas and related services and gas pipeline construction
Ziyang Hong Kong and China Gas Company Limited 資陽港華燃氣有限公司	PRC – Limited liability company	RMB18,890,000	90%	90%	Provision of natural gas and related services and gas pipeline construction

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

Notes:

a. Southwest Panva holds a 56.94% equity interest.

b. Yangzi Panva holds a 55% equity interest.

c. Yangzi Panva is a subsidiary of the Company as the Group has the power to appoint or remove the majority of the number of directors of its board of directors.

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