

Panva Gas Holdings Limited
百江燃氣控股有限公司

(Incorporated in the Cayman Islands with limited liability)



PANVA

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HIGHLIGHTS

- For the six months ended 30 June 2001, the Group's turnover amounted to approximately HK\$518.4 million, an increase of approximately 6.4% from the corresponding period last year.
- For the six months ended 30 June 2001, the Group's gross profit amounted to approximately HK\$35.1 million representing an increase of approximately 107.6% from the corresponding period last year.
- Net profit increased substantially to approximately HK\$5.1 million, when compared to a loss of approximately HK\$2.2 million for the same period last year.
- Sale of Liquefied Petroleum Gas ("LPG") in cylinders to retail customers for the six months ended 30 June 2001 increased significantly to approximately HK\$99.5 million representing an increase of approximately 252.6% from the corresponding period last year.
- Sale of LPG in bulk decreased by approximately 11.8% for the six months ended 30 June 2001 from the corresponding period last year. The decrease was mainly due to a supplier of the Group having to undergo a major maintenance overhaul once every two years, thus reducing the supply of LPG.
- The Group commenced the provision of pipelines construction works during the period.
- The Group through Yangzi Petrochemical Baijiang Energy Co., Ltd. ("Yangzi PANVA") acquired the piece of land on which Yangzi PANVA's LPG storage station is located for a total consideration of approximately RMB12,922,000 (equivalent to approximately HK\$12,088,000) during the period.
- An agreement to establish a Sino-foreign joint venture in the city of Kunming, Yunnan province in the People's Republic of China ("PRC") was signed on 1 July 2001.

RESULTS

The board of directors (the "Board") of Panva Gas Holdings Limited (the "Company") is pleased to announce the unaudited combined results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30 June 2001, together with the comparative figures of the corresponding periods in 2000, as follows:

	Notes	Six months ended 30 June		Three months ended 30 June	
		2001	2000	2001	2000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	518,417	487,277	255,953	279,456
Cost of sales		<u>(483,280)</u>	<u>(470,349)</u>	<u>(234,936)</u>	<u>(267,380)</u>
Gross profit		35,137	16,928	21,017	12,076
Other revenue		560	190	544	51
Distribution costs		(10,230)	(9,108)	(5,227)	(5,374)
Administrative expenses		(14,186)	(10,099)	(8,115)	(6,203)
Other operating expenses		<u>(591)</u>	<u>(211)</u>	<u>(111)</u>	<u>(90)</u>
Profit (loss) from operations		(10,690)	(2,300)	8,108	460
Finance costs		(842)	(60)	(765)	(6)
Investment income	3	<u>2,216</u>	<u>569</u>	<u>1,253</u>	<u>225</u>
Profit (loss) from ordinary activities before taxation		12,064	(1,791)	8,596	679
Taxation	4	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit (loss) before minority interests		12,064	(1,791)	8,596	679
Minority interests		<u>(6,966)</u>	<u>(400)</u>	<u>(4,792)</u>	<u>(1,253)</u>
Net profit (loss) for the period		5,098	(2,191)	3,804	(574)
Dividends		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit (loss) for the period, retained		<u>5,098</u>	<u>(2,191)</u>	<u>3,804</u>	<u>(574)</u>
Earnings (loss) per share	5	HK cents <u>1.15</u>	HK cents <u>(0.54)</u>	HK cents <u>0.79</u>	HK cents <u>(0.14)</u>

Notes:

1. Basis of Preparation

The Company was incorporated in the Cayman Islands on 16 November 2000 as an exempted company with limited liability under the Companies Law (2000 Revision) of the Cayman Islands. The Company's shares (the "Shares") have been listed on GEM operated by the Stock Exchange since 20 April 2001.

Pursuant to a reorganisation to rationalise the Group structure in preparation for the listing of the Shares on GEM (the "Reorganisation"), the Company acquired the entire issued share capital of China Pan River Group Limited, the then holding company of the subsidiaries included in the Reorganisation, and became the holding company of the Group on 4 April 2001.

The results of the Group include the results of the companies comprising the Group as if the Group structure had been in existence since 1 January 2000, or since their respective date of incorporation/establishment, whichever is later.

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The unaudited combined results have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sale and distribution of LPG in the PRC including the sale of LPG in bulk and in cylinders, the provision of piped gas, the construction of gas pipelines, and the sale of LPG household appliances.

2. Turnover

An analysis of the Group's turnover for the three months and six months ended 30 June 2001 is as follows:

	Six months ended		Three months ended	
	30 June		30 June	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sale of LPG in bulk	385,331	436,684	189,593	252,146
Sale of LPG in cylinders				
to wholesale customers	22,473	21,354	10,648	10,723
Sale of LPG in cylinders to retail customers	99,512	28,222	46,910	16,041
Provision of piped gas	1,621	200	937	196
Gas pipelines construction	6,505	—	6,505	—
Sale of LPG appliances	2,975	817	1,360	350
	<u>518,417</u>	<u>487,277</u>	<u>255,953</u>	<u>279,456</u>

3. Investment income

Investment income represents the interest earned on bank deposits of the Group.

4. Taxation

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

In accordance with the relevant tax rules and regulations in the PRC, Pan River Enterprises (Chang-sha) Co., Ltd. was exempted from income tax for the two years from 1 January 1998 to 31 December 1999 and is taxable at a concessionary tax rate of 12% for the three years from 1 January 2000 to 31 December 2002. Thereafter, the income tax rate applicable to Pan River Enterprises (Chang-sha) Co., Ltd. will be 24%.

Pan River Gas (China Southwest) Co., Ltd. ("PANVA Southwest")(formerly known as Pan River Gas (Guizhou) Co., Ltd.) and Yangzi PANVA are exempted from income tax for the two years from 1 January 2000 to 31 December 2001 and is taxable at concessionary tax rates of 12% and 16.5% respectively for the three years ending 31 December 2004.

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

Deferred taxation has not been provided for in the financial statements, as there were no significant timing differences arising during the periods.

5. Earnings (Loss) per share

The calculation of the basic earnings per share for the three months and six months ended 30 June 2001 is based on the profit of approximately HK\$3,804,000 and approximately HK\$5,098,000 respectively and the weighted average number of 483,111,111 and 444,055,556 ordinary shares in issue during the respective periods on the assumption that the Reorganisation had been effective on 1 January 2000.

The calculation of the basic loss per share for the corresponding three months and six months ended last year is based on the loss of approximately HK\$574,000 and approximately HK\$2,191,000 respectively and 405,000,000 ordinary shares in issue during the periods on the assumption that the Reorganisation had been effective on 1 January 2000.

Diluted earnings (loss) per share for the three months and six months ended 30 June 2001 and of the corresponding periods in 2000 had not been stated because the exercise of the outstanding share options and convertible notes of the Company would not have a diluting effect to the earnings (loss) per share.

6. Reserves

	Share Premium Reserve HK\$'000	Exchange Reserve HK\$'000	Capital Reserve HK\$'000	Statutory Reserve HK\$'000	Enterprise Expansion Reserve HK\$'000	Retained Earnings HK\$'000	Total HK\$'000
At 1 January 2000	—	166	—	535	267	(13,471)	(12,503)
Profit for the period	—	—	—	—	—	(1,618)	(1,618)
At 31 March 2000	—	166	—	535	267	(15,089)	(14,121)
Exchange difference on translation of overseas operation	—	(151)	—	—	—	—	(151)
Profit for the period	—	—	—	—	—	(574)	(574)
At 30 June 2000	<u>—</u>	<u>15</u>	<u>—</u>	<u>535</u>	<u>267</u>	<u>(15,663)</u>	<u>(14,846)</u>
At 1 January 2001	—	(106)	—	535	267	(12,643)	(11,947)
Profit for the period	—	—	—	—	—	1,294	1,294
At 31 March 2001	—	(106)	—	535	267	(11,349)	(10,653)
Issue of shares	68,250	—	—	—	—	—	68,250
Share issue expense	(12,921)	—	—	—	—	—	(12,921)
Arising on injection of fixed assets from PRC joint venture partner of a subsidiary	—	—	939	—	—	—	939
Profit for the period	—	—	—	—	—	3,804	3,804
At 30 June 2001	<u>55,329</u>	<u>(106)</u>	<u>939</u>	<u>535</u>	<u>267</u>	<u>(7,545)</u>	<u>49,419</u>

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INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2001 (2000: Nil).

REVIEW OF OPERATIONS

During the six months ended 30 June 2001, the Group's LPG and LPG related businesses continued to show a satisfactory revenue growth. The increase in revenue was achieved through the steady growth of existing business operations and the successful development of new revenue sources.

For the six months ended 30 June 2001, the Group recorded a turnover of approximately HK\$518,417,000, representing an increase of approximately 6.39% compared to the corresponding period in 2000. The gross profit margin of the Group increased to approximately 6.78% for the six months ended 30 June 2001, a substantial increase from the 3.47% recorded by the Group for the corresponding period last year. The increase in gross profit margin was mainly attributable to the increase in the proportion of the retail business which commands a relatively higher gross profit margin than the wholesale operation. Profit attributable to shareholders increased significantly to approximately HK\$5,098,000 from a loss of approximately HK\$2,191,000 for the corresponding period last year.

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Sale of LPG in bulk

Sale of LPG in bulk remains as the Group's main activity with sales amounting to approximately HK\$385,331,000 accounting for approximately 74.33% of the Group's total turnover for the six months ended 30 June 2001. However, when compared to the same period last year, sale of LPG in bulk has decreased by approximately 11.76%. This is mainly due to 揚子石油化工股份有限公司 ("Yangzi Petrochemical"), the supplier of LPG to a subsidiary of the Company Yangzi PANVA, is required to undergo a major maintenance overhaul scheduled once every two years in July 2001. Yangzi Petrochemical had been gradually reducing its production of LPG since the beginning of this year resulting in a reduction of approximately 20,000 tonnes of LPG to the same period last year. Therefore, the supply of LPG to Yangzi PANVA for sale was reduced. Yangzi Petrochemical is expected to return to normal production in mid-August 2001.

Sale of LPG in cylinders to wholesale customers

Sale of LPG in cylinders to wholesale customers is supplemental to the Group's retail business. It provides another revenue source for the Group by utilising the Group's cylinders filling facilities. Sale of LPG in cylinders to wholesale customers amounted to approximately HK\$22,473,000 representing an increase of approximately 5.24% when compared to the same period last year.

Sale of LPG in cylinders to retail customers

Sale of LPG in cylinders to retail customers amounted to approximately HK\$99,512,000 for the six months ended 30 June 2001 representing an increase of approximately 252.60% from the same period last year. Nanjing Panva LPG Ltd. ("Nanjing PANVA"), an operating subsidiary of the Company which commenced operations in October 2000, accounted for most of the increase. Nanjing PANVA has approximately 400,000 household customers requiring approximately 10,000 cylinders per day. Increases in other operating areas are a result of increased market share in those areas and a reflection of the Group's commitment to expand its retail operation. Sale of LPG in cylinders to retail customers accounted for approximately 19.19% of the Group's turnover for the six months ended 30 June 2001, a significant increase when compared to approximately 5.79% for the same period last year.

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Provision of piped gas

The Group currently has 23 piped gas stations with a total capacity to supply piped gas to approximately 12,000 users, a business activity in which the Group is planning to expand. For the six months ended 30 June 2001, income from the provision of piped gas amounted to approximately HK\$1,621,000 representing an increase of approximately 710.50% from the same period last year.

Gas pipelines construction

During the period, the Group commenced the provision of gas pipelines construction for end-user customers in support of the piped gas provision business. Through the construction of piped gas stations, main pipelines, and branch gas pipeline networks, the Group is able to supply LPG directly into the homes of the end-user customers. Gas pipelines construction works are usually contracted with property developers or property management companies for which the Group receives a one-off connection fee in the range of between RMB2,000 to RMB3,000 for each household connected. As at 30 June 2001, the Group had received approximately 90% of the total contracted amount from property developers or property management companies.

Project Gaochun

Gaochun (高淳縣) is a suburb of the city of Nanjing in the Jiangsu province with a population of approximately 100,000 and covers an area of approximately 8 square kilometres. As part of city planning and to provide for the necessary infrastructure to accommodate the 西氣東輸 project (“West to East Natural Gas Pipelines Project”), the local government of Gaochun decided to implement piped gas in Gaochun. On 13 July 2001, Nanjing PANVA signed a letter of intent with the local government of Gaochun to give Nanjing PANVA the sole management right for the implementation of piped gas in Gaochun.

Project Yadong (Nanjing)

江蘇亞東房地產開發有限公司 and 南京亞東國際實業有限公司 (together the “Yadong Companies”) are renowned property developers in the city of Nanjing. Nanjing PANVA has entered into an agreement with the Yadong companies to oversee all gas pipelines constructions in the Yadong area, a suburb of the city of Nanjing.

Other projects

The Group through its operating subsidiaries in Nanjing, Guiyang, and Kunming are currently negotiating with local governments on a number of gas pipelines construction contracts.

PANVA Southwest

On 29 June 2001, an agreement was entered into between 貴州市煤氣公司 and Sinolink International Investment (Group) Limited, a wholly owned subsidiary of the Company, to change the name of Pan River Gas (Guizhou) Co., Ltd., a Sino-foreign equity joint venture which is indirectly owned as to 50.1% by the Company, into PANVA Southwest and to increase the registered capital of PANVA Southwest from RMB16,000,000 (equivalent to approximately HK\$14,967,259) to RMB57,500,000 (equivalent to approximately HK\$53,788,587), and to increase the total investment of PANVA Southwest from RMB20,000,000 (equivalent to approximately HK\$18,709,073) to RMB70,000,000 (equivalent to approximately HK\$65,481,758). Approval from the relevant PRC authorities has been obtained for the name change and capital increase. The Board believes that PANVA Southwest is ideally positioned to utilise the scale economy and strengthening the Group’s competitive advantage by strategically managing the development in the southwestern region of the PRC. A newly formed operating subsidiary, Panva Gas (Yunnan) Co., Ltd. (“Yunnan PANVA”), will be under the direct management of PANVA Southwest.

Yunnan PANVA

On 1 July 2001, the Group through PANVA Southwest entered into a joint venture agreement with two independent third parties, 昆明煤氣總公司 (“Kunming Gas”) and 雲南格雷燃氣有限公司 (“Yunnan Green Gas”), to set up Yunnan PANVA, a Sino-foreign equity joint venture in Kunming, Yunnan Province in the PRC, to engage in the sale and distribution of LPG and LPG related products, including the sale of LPG in bulk and in cylinders, the provision of piped gas, and the sale of LPG household appliances. The capital contribution of PANVA Southwest is RMB33.5 million (equivalent to approximately HK\$31.3 million) which is equivalent to 56.94% of the registered capital of Yunnan PANVA.

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To facilitate the contribution of the amount of RMB33,500,000 to Yunnan PANVA, PANVA Southwest has increased its registered capital, as a result of which the Company contributed approximately RMB20,000,000 (equivalent to approximately HK\$18,709,073) to the capital of PANVA Southwest pro-rata to its percentage of attributable interests in PANVA Southwest and the other joint venture partner of PANVA Southwest contributed RMB20,000,000 (equivalent to approximately HK\$18,709,073) to the capital of PANVA Southwest. Out of the amount contributed by the Company, approximately HK\$18,000,000 was funded by the net proceeds from the placing of 95,000,000 Shares pursuant to the prospectus of the Company dated 10 April 2001 (the “Prospectus”) and the remaining balance in the amount of HK\$709,073 was funded by internal resources of the Group.

Kunming Gas and Yunnan Green Gas are two of the largest state-owned enterprises engaged in the sale and distribution of LPG in the city of Kunming. Through Yunnan PANVA, the Group will be able to make the best use of the resources and expertise of the other two PRC joint venture partners to generate a competitive advantage in managing the LPG and LPG related businesses.

Land Acquisition

The government allocated land currently occupied by Yangzi PANVA's LPG storage station was acquired from the land authorities during the period for a total consideration of approximately RMB12,922,000 (equivalent to approximately HK\$12,088,000). The acquisition was funded solely by internal resources of Yangzi PANVA.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary comparison of the actual business progress for the period from 4 April 2001, being the latest practicable date prior to the printing of the Prospectus to 30 June 2001 (the "Review Period").

	Business objectives for the Review Period as set out in the Prospectus	Actual business progress for the Review Period
BUSINESS DEVELOPMENT		
Business operation coverage	Guizhou Hunan Anhui Jiangsu	Guizhou Hunan Anhui Jiangsu
Setting up operating subsidiary	<p>Kunming Negotiation and signing of contract with a local LPG operator</p> <p>Changsha Negotiation and signing of contract with a local LPG operator to expand the retail business of Pan River Enterprises (Chang-Sha) Co., Ltd. ("Changsha PANVA")</p>	<p>Kunming Joint venture agreement signed on 1 July 2001</p> <p>Changsha Currently in discussion with a local LPG operator on details of the joint venture agreement to expand the retail business of Changsha PANVA</p>
Market research	Completion of market research on the LPG market in Kunming	Market research completed and an agreement to form a joint venture in Kunming signed on 1 July 2001
IMPROVING OPERATIONAL EFFICIENCY	<p>Commence the feasibility study on the possibility of implementing an Enterprise Resources Planning System to optimise operational efficiency and effectiveness</p> <p>Commence and complete the development of the Group's Intranet</p> <p>Completion of the development of the telephone ordering/payment system in Nanjing</p> <p>Continue to centralise and computerise the customer database at operating subsidiaries level</p>	<p>A feasibility study is currently being conducted on the possibility of implementing an Enterprise Resource Planning System</p> <p>The development of the Group's Intranet has been complete</p> <p>The development of the telephone ordering/payment system in Nanjing has been complete</p> <p>Out of the 13 operating subsidiaries of the Group, 6 have implemented computerised customer database.</p>
BRAND BUILDING	Distribute marketing pamphlets and LPG safety manuals to retail customers	Distributed approximately 450,000 marketing and LPG safety manuals to retail customers

	Business objectives for the Review Period as set out in the Prospectus	Actual business progress for the Review Period
OPERATION FACILITIES		
(figures cumulative)		
Storage tank capacity (cubic metres)	20,200	20,200
Tank train capacity (tonnes)	1,680	1,680
Tank lorry capacity (tonnes)	186	186
Cylinders truck capacity (tonnes)	320	320
No. of tank train unloading depot	8	5
No. of LPG vessel unloading platform	1	1
No. of retail outlets	170	168
No. of piped gas stations	23	23
No. of automobile LPG filling stations	—	—
	<u>20,200</u>	<u>20,200</u>
HUMAN RESOURCES DEPLOYMENT		
No. of staff		
Management	90	92
Finance and administration	188	190
Sales and distribution	974	985
Production, purchase and supply	548	536
	<u>1,800</u>	<u>1,803</u>
Total	1,800	1,803
	<u>1,800</u>	<u>1,803</u>
	HK\$	HK\$
USE OF PROCEEDS		
Setting up of new joint venture in Kunming	18,000,000	—
Sales and marketing propaganda	900,000	550,000
General working capital	2,000,000	1,550,000
	<u>20,900,000</u>	<u>2,100,000</u>
Total	20,900,000	2,100,000
	<u>20,900,000</u>	<u>2,100,000</u>

DEVIATIONS BETWEEN THE BUSINESS OBJECTIVES AS SET OUT IN THE PROSPECTUS AND THE ACTUAL BUSINESS PROGRESS FOR THE REVIEW PERIOD

The Changsha Project

The Group has been negotiating on the details of the possible expansion of the retail market in Changsha with a potential joint venture partner for the past several months. Major issues, such as the types and quality of the fixed assets, existing employees to be retained, and so on, are still being negotiated. The Group plans to continue with the negotiation, and hope to complete the negotiation as soon as possible ensuring that all issues are satisfactory addressed.

The Kunming Project

Included in the use of proceeds is an amount of HK\$18,000,000 to be used in setting up a new joint venture in Kunming during the Review Period. The joint venture agreement was signed on 1 July 2001 and in accordance with the terms of the agreement, contribution from PANVA Southwest must be fully contributed by December of this year.

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PROSPECTS

The PRC economy is expected to maintain high growth in the second half of this year, buoyed by positive factors such as the country's imminent entry to the World Trade Organisation and its successful bid to host the 2008 Olympic Games. It will provide a major driving force for the rapid growth of the energy sector and the environmental industries. In view of this, the Directors are optimistic about the Group's business prospects for the second half of the year.

Building on its strong track record and solid foundations, the Group intends to continue with the following developments during the second half:

Penetration into the southwestern market

The PRC's policy to develop the west is expected to substantially boost the economic development and the demand for energy in the western provinces. There will be huge business opportunities across the region for the liquefied gas sector, particularly in Yunnan province which, having recently been designated by the PRC central government as a key province for tourism development, is placing an increasingly high emphasis on environmental protection. Moreover, Yunnan is not included in the "West to East Natural Gas Pipelines Project", meaning that it will focus on developing LPG as its major energy resource. This will provide significant growth potential for the LPG business in the province.

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Following PANVA Southwest, Yunnan PANVA represents another major investment of the Group in penetrating the southwestern market. It will substantially strengthen the Group's operations in the southwest, enabling the Group to further develop the LPG market there and to benefit from the expected high economic growth of the region in the future.

The Group will further unify and coordinate the management of its LPG operations in the southwestern market, including the sourcing, transportation, storage and marketing of LPG, in order to capitalise on its competitive advantages and to maximize its economy-of-scale benefits.

Building gas pipeline networks in small districts

Supplying gas through gas pipeline networks is one of the benchmarks of urbanisation. A major task of the Group for the second half is to develop gas pipeline networks in small districts of PRC cities. The Group has already commenced negotiations in a number of cities with the relevant government departments in charge and potential joint venture partners. Concrete progress of the negotiations is expected in the second half of the year.

Sale of LPG cylinders to retail customers

The Group's set policy is to further develop the retail market through the sale of LPG cylinders in order to increase its market share. The Group will continue to enhance its services, increase its marketing and promotional efforts, and capitalise on its brand supremacy. By means of these, the Group aims for a higher market share, an increase in end-user customer, and stronger influence and leverage on the retail LPG market, which will enable the Group to further increase its profits.

Marketing and development

The Group plans to strengthen its development of new markets through the establishment of joint ventures as well as co-operations with leading enterprises in LPG production, operation and management. These efforts can provide synergy benefits that are essential to the swift penetration of the markets. The Group will continue to hold talks and maintain close contacts with potential joint venture partners in Hefei, Wuhan, Tibet, Changsha and other provinces and cities, in order to strive for new breakthroughs in its development.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 30 June 2001, the interests of the directors of the Company and their respective associates in the share capital of the Company and its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance and the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

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(i) *Interests in Shares of the Company*

Name of Director	Nature of Interests	No. of Shares held
Mr. OU Yaping	Corporate	399,868,000 (<i>Note</i>)

Note:

The 399,868,000 Shares represent (i) 389,800,000 Shares held by Kenson Investment Limited ("Kenson") in the Company and (ii) 10,068,000 Shares held by Asia Pacific Promotion Limited ("Asia Pacific") in the Company. Mr. OU is deemed under the SDI Ordinance to have an interest in the Shares of the Company through his interest in Kenson and Asia Pacific.

(ii) Interests in Shares in Associated Corporation

Name of Director	Name of Associated Corporation	Type of Interest	Number of Shares Held/Percentage of Equity Interest Owned by the Relevant Group Members
Mr. OU Yaping	Kenson	Corporate (Note 1)	1 ordinary share
Mr. OU Yaping	Sinolink Worldwide Holdings Limited ("Sinolink Worldwide")	Corporate (Note 1)	1,006,800,000 ordinary share
Mr. OU Yaping	Asia Pacific	Personal	1 ordinary share
Mr. OU Yaping	Chenzhou Pan River Gas Industry Co. Ltd. 鄭州百江燃氣實業有限公司	Corporate	55%
Mr. OU Yaping	China Overlink Holdings Co. Limited	Corporate	1 share of US\$1 each
Mr. OU Yaping	Nanjing Panva LPG Company Ltd. 南京百江液化氣有限公司	Corporate	55%
Mr. OU Yaping	Pan River Enterprise (Changde) Co. Ltd. 常德百江能源實業有限公司	Corporate	85%
Mr. OU Yaping	Pan River Enterprises (Chang-Sha) Co. Ltd. 長沙百江能源實業有限公司	Corporate	60%
Mr. OU Yaping	Pan River Enterprises (Hengyang) Co. Ltd. 衡陽百江能源實業有限公司	Corporate	84%
Mr. OU Yaping	Pan River Enterprises (Wuhu) Co. Ltd. 蕪湖百江能源實業有限公司	Corporate	55%
Mr. OU Yaping	Panriver Investments Company Limited 百江投資有限公司	Corporate	100%

Name of Director	Name of Associated Corporation	Type of Interest	Number of Shares Held/Percentage of Equity Interest Owned by the Relevant Group Members
Mr. OU Yaping	Pan River Gas (China Southwest) Co., Ltd. 百江西南燃氣有限公司 (formerly known as Pan River Gas (Guizhou) Co., Ltd. 貴州百江燃氣有限公司)	Corporate	50.1%
Mr. OU Yaping	Singkong Investments Limited	Corporate	100%
Mr. OU Yaping	Sinolink International Investment (Group) Limited	Corporate	1 share of US\$1 each
Mr. OU Yaping	Sinolink LPG Development Limited	Corporate	1 share of US\$1 each
Mr. OU Yaping	Sinolink LPG Investment Limited	Corporate	1 share of US\$1 each
Mr. OU Yaping	Sinolink Petrochemical Investment Limited	Corporate	1 share of US\$1 each
Mr. OU Yaping	Sinolink Power Investment Limited	Corporate	1 share of US\$1 each
Mr. OU Yaping	Wuhu Pan River Enterprises Jiangbei Co., Ltd. 蕪湖百江江北能源有限公司	Corporate	51%
Mr. OU Yaping	Nanling Pan River LPG Co., Ltd. 南陵百江液化氣有限責任公司	Corporate	55%
Mr. OU Yaping	Wuhu Pan River Sanpeng LPG Co., Ltd. 蕪湖百江三朋液化氣有限公司	Corporate	55%
Mr. OU Yaping	Xiangtan Pan River Energy Industry Co., Ltd. 湘潭百江能源實業有限公司	Corporate	55%
Mr. OU Yaping	Yiyang Pan River Enterprises Co., Ltd. 益陽百江能源實業有限公司	Corporate	60%

Name of Director	Name of Associated Corporation	Type of Interest	Number of Shares Held/Percentage of Equity Interest Owned by the Relevant Group Members
Mr. OU Yaping	Yongzhou Pan River Enterprises Co., Ltd. 永州百江能源實業有限公司	Corporate	60%
Mr. OU Yaping	Yangzi Petrochemical Baijiang Energy Resources Co., Ltd. 揚子石化能源有限公司	Corporate	50% (Note 2)

Note

1. These shares are held by Kenson in which Mr. OU Yaping, through Asia Pacific, a company wholly-owned by Mr. OU Yaping, and Sinolink Worldwide, a company in which Asia Pacific holds approximately 66.23% holds more than 50%. Therefore, Mr. OU Yaping is deemed (by virtue of SDI Ordance) to be interested in these shares.
2. Yangzi Petrochemical Baijiang Energy Resources Co., Ltd. is a subsidiary of the Company because the Company has control over the board of directors.

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(iii) Interests in Share Options

Name of Director	Date Granted	Exercisable Period	Exercise price	Number of share option held
Mr. OU Yaping	04.04.2001	01.01.2003 - 03.04.2011	HK\$0.57	1,500,000
	04.04.2001	01.01.2004 - 03.04.2011	HK\$0.57	1,500,000
Mr. CHEN Wei	04.04.2001	01.01.2003 - 03.04.2011	HK\$0.57	1,500,000
	04.04.2001	01.01.2004 - 03.04.2011	HK\$0.57	1,500,000
Mr. LAI Wen Guang	04.04.2001	01.01.2003 - 03.04.2011	HK\$0.57	1,000,000
	04.04.2001	01.01.2004 - 03.04.2011	HK\$0.57	1,000,000
Mr. LAU Shi Wa	04.04.2001	01.01.2003 - 03.04.2011	HK\$0.57	500,000
	04.04.2001	01.01.2004 - 03.04.2011	HK\$0.57	500,000
Mr. LI Fujun	04.04.2001	01.01.2003 - 03.04.2011	HK\$0.57	1,000,000
	04.04.2001	01.01.2004 - 03.04.2011	HK\$0.57	1,000,000
Mr. YIM Chun Leung	04.04.2001	01.01.2003 - 03.04.2011	HK\$0.57	500,000
	04.04.2001	01.01.2004 - 03.04.2011	HK\$0.57	500,000

Save as disclosed above, as at 30 June 2001, none of the directors nor their spouses or children under the age of 18, had any right to subscribe for the Shares, or had exercised any such right during the period and at no time during the period was the Company, its holding, or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2001, the following shareholders are interested in 10% or more of the issued share capital of the Company as recorded in the register of members maintained under Section 16(1) of the SDI Ordinance:

Name	Number of Shares	Approximate percentage of holding
Kenson <i>(Note)</i>	389,800,000	77.96%
Sinolink Worldwide <i>(Note)</i>	389,800,000	77.96%
Asia Pacific <i>(Note)</i>	399,868,000	79.97%
Mr. OU Yaping via Asia Pacific <i>(Note)</i>	399,868,000	79.97%

Note: The Shares in which Kenson is shown as being interested are included in and duplicate with interest in the Shares held by Sinolink Worldwide and Asia Pacific.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company.

SPONSOR'S INTERESTS

None of the Company's sponsor, Tai Fook Capital Limited ("the Sponsor"), its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company or any member of the Group or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group as at 30 June 2001.

Pursuant to the agreement dated 9 April 2001 entered into between the Company and the Sponsor, the Sponsor will receive usual sponsorship fees for acting as the Company's retained sponsor for the period from 20 April 2001 to 31 December 2003.

COMPETING INTERESTS

Mr. ZHENG Dunxun, non-executive director of the Company, is also a director Sinochem Hong Kong (Holdings) Co., Ltd. ("Sinochem"). The business of Sinochem consists of LPG related business, which may compete indirectly with a part of the business of the Group.

Save as disclosed in this section, none of the directors or management shareholders of the Company have any interest in any business, which may compete with the business the Group.

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AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference which deal clearly with its authority and duties in compliance with Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems. The audit committee has 3 members comprising 2 independent non-executive directors, Mr. Cheung Hon Kit and Mr. Sun Hiu Lu and the non-executive Director, Mr. Yim Chun Leung.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period from 20 April 2001, the date of the listing of the Company on GEM, to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Chen Wei
Managing Director

Hong Kong, 13 August 2001

Website: <http://www.panva-gas.com>