



Panva Gas Holdings Limited
百江燃氣控股有限公司

(Incorporated in the Cayman Islands with limited liability)

The **1st** Quarterly Report
2002

BOARD OF DIRECTORS

Executive Directors

Mr. Ou Yaping
Mr. Chen Wei
Mr. Lai Wen Guang
Mr. Lau Shi Wa
Mr. Li Fujun
Mr. Tang Yui Man, Francis

Non-executive Director

Mr. Zheng Dun Xun

Independent Non-executive Directors

Mr. Cheung Hon Kit
Mr. Sun Hiu Lu

COMPLIANCE OFFICER

Mr. Li Fujun

QUALIFIED ACCOUNTANT

Mr. Yu Man To, Gerald, *MBA*
CPA(Aust.) AHKSA

COMPANY SECRETARY

Mr. Yu Man To, Gerald, *MBA*
CPA(Aust.) AHKSA

AUDIT COMMITTEE

Mr. Cheung Hon Kit
Mr. Sun Hiu Lu

REGISTERED OFFICE

Ugland House
P. O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

25th Floor, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International
(Cayman) Ltd.
Butterfield House
Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Central Registration Hong Kong Limited
Room 1901-1905, 19th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISERS

(As to Hong Kong Law)
Woo, Kwan, Lee & Lo

(As to Cayman Islands Law)
Maples and Calder Asia

(As to the PRC Law)
Haiwen & Partners

PRINCIPAL BANKERS

Hang Seng Bank Limited
Nanyang Commercial Bank Ltd.,
Hong Kong Branch
Bank of China, Shenzhen Branch
The Industrial & Commercial Bank of
China, Hunan Branch
Nanjing City Commercial Bank, Nanjing

WEBSITES:

www.panva-gas.com

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GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Panva Gas Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to Panva Gas Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- The Group's turnover decreased slightly to approximately HK\$238,127,000 representing a decrease of 9.27% from the same period last year.
- Gross profit increased substantially to approximately HK\$60,107,000 representing an increase of approximately 3 times from the same period last year.
- Net profit increased substantially to approximately HK\$28,736,000 representing an increase of approximately 21 times from the same period last year.

RESULTS

The board of directors (the "Board") of Panva Gas Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31 March 2002, together with the comparative figures of the corresponding period in 2001, as follows:

	<i>Notes</i>	For the three months ended 31 March	
		2002	2001
		HK\$'000	HK\$'000
Turnover		238,127	262,464
Cost of sales		(178,020)	(248,345)
Gross profit		60,107	14,119
Other revenue		142	17
Distribution costs		(6,628)	(5,003)
Administrative expenses		(13,449)	(6,071)
Other operating expenses		(71)	(480)
Profit from operations		40,101	2,582
Finance costs		(757)	(77)
Investment income	2	371	963
Profit from ordinary activities before taxation		39,715	3,468
Taxation	3	(77)	—
Profit before minority interests		39,638	3,468
Minority interests		(10,902)	(2,174)
Net profit for the period		28,736	1,294
		HK cents	HK cents
Earnings per share			
Basic	4	5.75	0.32
Diluted	4	4.59	N/A

Notes:

1. Group Reorganisation and Basis of Preparation of Financial Statements

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) Chapter 22 of the Cayman Islands. The shares of the Company (“Shares”) have been listed on GEM operated by the Stock Exchange since 20 April 2001.

Pursuant to a reorganisation scheme 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 Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the financial statements of the Group have been prepared using the principles of merger accounting in accordance with the *Statement of Standard Accounting Practice 27 Accounting for Group Reconstruction issued by the Hong Kong Society of Accountants*.

Further details of the Reorganisation are set out in the prospectus issued by the Company dated 10 April 2001.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sale and distribution of Liquefied Petroleum Gas (“LP Gas”) and natural gas in the People’s Republic of China (“PRC”) including the sale of LP Gas in bulk and in cylinders, the provision of piped LP Gas and natural gas, construction of gas pipelines, and the sale of LP Gas and natural gas household appliances.

2. Investment income

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

3. 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 (Changsha) Co., Ltd. (“Changsha Panva”) 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 Changsha Panva will be 24%.

Pan River Gas (China South West) Co., Ltd. (“Panva Southwest”) and Yangzi Petrochemical Baijiang Energy Resources Co., Ltd. are exempted from income tax for the two years from 1 January 2000 to 31 December 2001 and are 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.

4. Earnings per share

The calculation of the basic and diluted earnings per share is based on the assumption that the Reorganisation had been effective on 1 January 2000 on the following data:

	2002 HK\$'000	2001 HK\$'000
Earnings for the purpose of basic earnings per share	28,736	<u>1,294</u>
Effect of dilutive potential shares:		
Interest on convertible note	<u>740</u>	
Earnings for the purpose of diluted earnings per share	<u>29,476</u>	
Weighted average number of shares for the purpose of basic earnings per share	500,044,000	<u>405,000,000</u>
Effect of dilutive potential shares:		
Options	1,838,000	
Convertible note	<u>140,351,000</u>	
Weighted average number of shares for the purpose of diluted earnings per share	<u>643,233,000</u>	

There were no potential dilutive ordinary shares in existence for the period ended 31 March 2001 and therefore, no diluted earnings per share is presented.

5. Reserves

	Share Premium Reserve HK\$'000	Exchange Reserve HK\$'000	Assets Revaluation Reserve HK\$'000	Capital Reserve HK\$'000	General Reserves HK\$'000	Retained Earnings HK\$'000	Total HK\$'000
At 1 January 2001	—	(107)	—	—	802	(12,643)	(11,948)
Profit for the period	—	—	—	—	—	1,294	1,294
At 31 March 2001	—	(107)	—	—	802	(11,349)	(10,654)
At 1 January 2002	55,329	(107)	4,973	1,101	1,212	18,640	81,148
Premium on issue of shares	170	—	—	—	—	—	170
Arising in the period	—	—	—	1,060	—	—	1,060
Transfer	—	—	—	—	596	(596)	—
Profit for the period	—	—	—	—	—	28,736	28,736
At 31 March 2002	55,499	(107)	4,973	2,161	1,808	46,780	111,114

DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2002 (2001: Nil).

BONUS ISSUE OF SHARES

On 26 April 2002, the Company issued 100,033,000 shares of HK\$ 0.10 each as bonus shares ("Bonus Share"), credited as fully paid by way of capitalisation of part of the Company's share premium account, on the basis of one Bonus Share for every five existing Shares held by the shareholders of the Company.

REVIEW OF OPERATIONS

For the three months ended 31 March 2002, the Group recorded a turnover of approximately HK\$238,127,000, representing a slight decrease of approximately 9.27% compared to the corresponding period in 2001. The gross profit margin of the Group increased to approximately 25.24% for the three months ended 31 March 2002, a substantial increase from the 5.37% recorded by the Group for the corresponding period last year. The increase in gross profit margin was mainly attributable to a general improvement in all areas of the Group's business activities and from a substantial increase in revenue from the gas

pipeline construction business which has a much higher profit margin. Profit attributable to shareholders increased significantly to approximately HK\$28,736,000 representing an increase of approximately 21 times from the corresponding period last year.

Wholesale of LP Gas

Included in the wholesale of LP Gas are sale of LP Gas in bulk and sale of LP Gas in cylinders to wholesale customers. Wholesale of LP Gas is the Group's main business activity recording a turnover of approximately HK\$156,135,000 for the three months ended 31 March 2002, representing a decrease of approximately 24.78% from the corresponding period last year. The decrease in the wholesale of LP Gas is mainly due to the following reasons:

- (i) the unit selling price of LP Gas is significantly lower when compared to the same period last year, therefore reducing the revenue receivable during the period. However, the reduction in the unit cost is slightly higher than the reduction in the unit selling price, resulting in an improvement in the gross profit margin during the period; and
- (ii) it is the Group's intention to strategically devote more of the Group's resources to the higher margin piped gas business, thereby generating a better return to the Company's shareholders. As a result, the wholesale quantity sold during the period was reduced slightly.

Sale of LP Gas in cylinders to wholesale customers is supplemental to the Group's retail business as it provides an extra revenue source by utilizing the Group's cylinders filling facilities.

Retail sales

Included in retail sales are sale of LP Gas in cylinders to retail customers, the provision of piped LP Gas, and the provision of piped natural gas. For the three months ended 31 March 2002, retail sales amounted to approximately HK\$48,759,000, representing a slight decrease of approximately 8.50% from last year. Although the quantity sold during the period increased, the decrease is mainly due to the unit selling price of LP Gas is significantly lower when compared to the same period last year, therefore reducing the total revenue during the period.

Gas pipeline construction

For the three months ended 31 March 2002, revenue from the gas pipeline construction business amounted to approximately HK\$29,171,000, accounting for approximately 12.25% of the Group's total turnover. The increase is mainly contributed from the operation in Hengyang, Sichuan, and from several existing projects in Nanjing city. The higher margin from the gas pipeline construction business has contributed significantly to the overall profit margin of the Group for the three months ended 31 March 2002.

End-user household customers

Through the strengthening of customer management and continuous improvement of customer services, the Group's retail end-user customers increased to approximately 1,285,000 households as at 31 March 2002. Of this amount, approximately 1,250,000 households use gas in cylinders and approximately 35,000 households use piped gas, representing an increase of approximately 100,000 households and approximately 15,000 households respectively from the 2001 year-end figures. The continuous increase in end-user customers provides a solid foundation for the Group's retail business to further capitalise on its economy-of-scale benefits and increase its influence and leverage in the marketplace.

Project Gaochun

Having entered into an exclusive agreement with the local government of Gaochun (高淳縣) on gas pipelines development in September 2001, the Group made active preparations in subsequent months for the setting up of the Sino-foreign equity joint venture. During the period under review, Nanjing Panva Piped Gas Company Ltd. was established to engage in the investment, development and operation of city gas pipelines in Gaochun. The joint venture company obtained its business licence on 18 April 2002 and commenced operation on 24 April 2002.

Gaochun is a suburb of Nanjing city in the Jiangsu province of the PRC. It has a total population of approximately 430,000 and an urban population of approximately 110,000, with an area of approximately 802 square kilometres. As part of its city planning and also preparations for the "West to East Natural Gas Pipelines Project", the local government decided to launch piped gas in Gaochun. The local government of Gaochun has granted the joint venture company exclusive rights to carry out the transformation works and to connect the gas pipelines to those of the "West to East Natural Gas Pipelines Project", and has agreed to provide various incentives such as exclusive operation right and tax relief for the joint venture company. The local government has also required all future residential district developments in Gaochun to include gas pipeline construction in their

development plans for approval in order to ensure that gas pipeline development works can proceed along with those of the residential districts. Pursuant to the approval documents issued by the local government of Gaochun, the joint venture company can receive a connection fee of RMB2,500 for each household connected.

Progress of the gas pipelines development projects

During the period under review, the Group has further expanded its “Piped Gas Task Force” by setting up two representative offices — in Chengdu city, the Sichuan province and Nanjing city, the Jiangsu province respectively — to coordinate, manage and develop the Group’s gas pipelines developments in Sichuan and the eastern PRC region. The two offices have recruited a considerable number of staff to further strengthen and accelerate the marketing works. Encouraging progress has been made in this regard. During the period, discussions have been held on gas pipelines development in more than 10 cities and gas pipelines development contracts or letters of intent have been signed with Kunming Gas Company, Sichuan Zhongqi Group and the city of Ningguo in Jiangsu.

Transformation services for users of cylinder gas

In formulating its development strategy for gas projects in the PRC, the Group has fully taken into account the future development of natural gas. Of the Group’s 16 equity joint ventures, apart from Ziyang Gas Company which has access to natural gas, the other 14 (the only exception being the one in Kunming) are located in cities where access to natural gas will be available in three to five years with the implementation of the “West to East Natural Gas Pipelines Project” and other natural gas projects. It is therefore expected that a considerable number of the Group’s massive household customers who are currently using cylinder gas will eventually switch to piped gas. This is providing the Group with unique advantages in developing gas pipelines projects.

During the period under review, the Group has signed a letter of intent with Xiangtan Gas Company to jointly provide transformation services for current users of cylinder gas to enable them to switch to piped gas, and to jointly develop other potential piped gas customer in order to prepare for the arrival of natural gas. Moreover, the Group has signed a co-operation agreement with Hengyang Gas Limited to undertake gas pipelines development projects in Hengyang city and has commenced the construction of the pipelines and the related gas connection works.

The Group will continue to adopt the strategy of “primarily focusing on city gas pipelines development while taking gas supply in cylinders as a transitional and complementary business”. We believe the implementation of this development strategy will provide more flexibility for the Group in market development and enhance its services for the customers.

PROSPECTS

Given the continuing strong growth of the PRC economy, which proved to be the world's rare bright spot in the past year, we have reason to believe that the PRC's energy and environmental protection sectors will continue to benefit from the favourable environment and continue to develop rapidly. Hence, the directors and the management are highly confident about the Group's prospects.

Building on established solid foundations, the Group will further strengthen its corporate management and accelerate its market development. The Group will continue to focus on the development of city gas pipelines, in particular those designated for natural gas pipelines. Moreover, the Group will continue with its efforts to develop the Panva brand in order to further increase the number of retail end-user household customers.

With many years of experience in the PRC gas market, a thorough grasp of the policies of the PRC government, and the unique advantages enjoyed by the Panva brand, the Group is moving towards new heights with unsparing efforts.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

At 31 March 2002, the interests of the directors and their 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 the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(i) *Interests in shares of the Company*

Name of director	Nature of interests	No. of shares held
Mr. Ou Yaping	Corporate	399,868,000 (Note)

Note:

The 399,868,000 shares represent (i) 389,800,000 shares held by Kenson Investment Limited ("Kenson"), a company incorporated in the British Virgin Islands ("BVI") in which Mr. Ou, through Asia Pacific Promotion Limited ("Asia Pacific"), has an indirect interest of 68.93%. Mr. Ou was deemed (by virtue of SDI Ordinance) to be interested in these shares and (ii) 10,068,000 shares held by Asia Pacific which is legally and beneficially owned by Mr. Ou.

(ii) *Interests in shares in associated corporations*

Name of director	Name of associated corporation	Nature of interest (stated)	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)	1,250,581,600 ordinary shares
Mr. Ou Yaping	Asia Pacific	Personal	1 ordinary share
Mr. Ou Yaping	Chenzhou Pan River Gas Industry Co. Ltd. 郴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	Pan River Investments Company Limited 百江投資有限公司	Corporate	100%
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	Panva Gas (Yunnan) Co., Ltd. 雲南百江燃氣有限公司	Corporate	28.5%
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 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	Xiangtan Pan River Energy 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%
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. 揚子石化百江能源有限公司	Corporate (Note 2)	50%
Mr. Ou Yaping	Ziyang Gas Company 資陽燃氣總公司	Corporate	90%
Mr. Tang Yui Man	Sinolink Worldwide	Personal	6,270,000 ordinary share

Note:

- 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 68.93%, holds more than 50%. Therefore, Mr. Ou Yaping is deemed (by virtue of the SDI Ordinance) to be interested in these shares.
- Yangzi Petrochemical Baijiang Energy Resources Co. Ltd. is a subsidiary of the Company because the Company has control over the board of directors.

(iii) *Interests in share options*

Name of director	Date of granted	Exercisable period	Exercise price HK\$	Number of share option held
Mr. Ou Yaping	04.04.2001	01.01.2003 — 03.04.2011	0.57	1,500,000
	04.04.2001	01.01.2004 — 03.04.2011	0.57	1,500,000
Mr. Chen Wei	04.04.2001	01.01.2003 — 03.04.2011	0.57	1,500,000
	04.04.2001	01.01.2004 — 03.04.2011	0.57	1,500,000
	13.11.2001	13.02.2002 — 13.02.2007	1.13	900,000
	13.11.2001	13.05.2002 — 13.02.2007	1.13	900,000
	13.11.2001	13.11.2001 — 13.02.2011	1.13	1,200,000
Mr. Lai Wen Guang	04.04.2001	01.01.2003 — 03.04.2011	0.57	1,000,000
	04.04.2001	01.01.2004 — 03.04.2011	0.57	1,000,000
	13.11.2001	13.02.2002 — 13.02.2007	1.13	240,000
	13.11.2001	13.05.2002 — 13.02.2007	1.13	240,000
	13.11.2001	13.11.2002 — 13.02.2007	1.13	320,000
Mr. Lau Shi Wa	04.04.2001	01.01.2003 — 03.04.2011	0.57	500,000
	04.04.2001	01.01.2004 — 03.04.2011	0.57	500,000
Mr. Li Fujun	04.04.2001	01.01.2003 — 03.04.2011	0.57	1,000,000
	04.04.2001	01.01.2004 — 03.04.2011	0.57	1,000,000
	13.11.2001	13.02.2002 — 13.02.2007	1.13	300,000
	13.11.2001	13.05.2002 — 13.02.2007	1.13	300,000
	13.11.2001	13.11.2002 — 13.02.2007	1.13	400,000
Mr. Tang Yui Man, Francis	13.11.2001	13.02.2002 — 13.02.2007	1.13	600,000
	13.11.2001	13.05.2002 — 13.02.2007	1.13	600,000
	13.11.2001	13.11.2002 — 13.02.2007	1.13	800,000

Save as disclosed above, none of the directors and their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance as recorded in the register as at 31 March 2002 maintained under Section 29 of the SDI Ordinance

or which are required, pursuant to rules 5.40 to 5.49 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”), to be notified to the Company and the Stock Exchange.

At no time during the period was the Company, its holding company, fellow subsidiaries or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors, or their spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, in addition to those interests as disclosed above in respect of the directors, the Company had been notified of the following interests, being 10% or more in the issued share capital of the Company directly or indirectly according to the register of substantial shareholders required to be maintained under section 16(1) of the SDI Ordinance:

Name	Number of shares	Approximate percentage of holding (per cent)
Kenson	389,800,000	77.96
Sinolink Worldwide (<i>note</i>)	389,800,000	77.96
Asia Pacific (<i>note</i>)	399,866,960	79.97
Mr. Ou Yaping via Asia Pacific (<i>note</i>)	399,866,960	79.97

Notes:

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.

Mr. Ou is the sole beneficial shareholder of Asia Pacific. Mr. Ou is deemed under the SDI Ordinance to have an interest in the shares held by Kenson.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company’s issued share capital as at 31 March 2002.

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 31 March 2002.

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 LP Gas 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.

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 2 members comprising 2 independent non-executive directors, Mr. Cheung Hon Kit and Mr. Sun Hiu Lu. Mr. Yim Chun Leung, resigned as the non-executive director on 1 March 2002.

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

During the period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

By Order of the Board

Chen Wei

Managing Director

Hong Kong, 14 May 2002