

The **1st** quarterly report

2004



PANVA

Panva Gas Holdings Limited

百江燃氣控股有限公司

(Incorporated in the Cayman Islands with limited liability)

BOARD OF DIRECTORS

Executive Directors

Mr. Ou Yaping (*Chairman*)
Mr. Chen Wei (*Managing Director*)
Mr. Li Fujun
Mr. Shen Lian Jin
Mr. Tang Yui Man, Francis
Mr. Zhang Keyu

Non-executive Directors

Mr. Fok Kin-ning, Canning
Mr. To Chi Keung, Simon (*alternate director to Mr. Fok Kin-ning, Canning*)

Independent Non-executive Directors

Mr. Cheung Hon Kit
Mr. Li Xiao Ru

AUTHORISED REPRESENTATIVES

Mr. Ou Yaping
Mr. Li Fujun

COMPLIANCE OFFICER

Mr. Li Fujun

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Chan Wai Chuen, Ricky
MCF, FCCA, AHKSA

AUDIT COMMITTEE

Mr. Cheung Hon Kit
Mr. Li Xiao Ru

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

Computershare Hong Kong Investor
Services 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
www.irasia.com/listco/hk/panvagas

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

- For the three months ended 31 March 2004, the Group's turnover increased to approximately HK\$411,238,000, representing an increase of approximately 18% from the corresponding period last year.
- For the three months ended 31 March 2004, the Group's gross profit increased to approximately HK\$80,756,000, representing an increase of approximately 18% from the corresponding period last year.
- Net profit increased substantially to approximately HK\$46,211,000, representing an increase of approximately 23% from the corresponding 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 2004, together with the comparative figures of the corresponding period in 2003, as follows:

		Three months ended 31 March	
	<i>Notes</i>	2004 HK\$'000	2003 HK\$'000
Turnover		411,238	348,724
Cost of sales		(330,482)	(280,188)
Gross profit		80,756	68,536
Other revenue		3,335	61
Distribution costs		(9,646)	(7,352)
Administrative expenses		(17,562)	(12,346)
Other operating expenses		(1,164)	(56)
Profit from operations		55,719	48,843
Finance costs		(2,759)	(967)
Investment income	2	839	150
Profit from ordinary activities before taxation		53,799	48,026
Taxation	3	(1,842)	(1,528)
Profit before minority interests		51,957	46,498
Minority interests		(5,746)	(8,832)
Net profit for the period		46,211	37,666
		HK cents	HK cents
Earnings per share	4		
Basic		4.91	6.23
Diluted		4.53	4.78

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 the GEM operated by the Stock Exchange since 20 April 2001.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sale and distribution of liquid 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 Profits Tax has been made as the Group's income neither arises in nor derived from Hong Kong.

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

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 12% to 16.5%. PRC enterprise income tax for the year has been provided for after taking those tax incentives into account.

4. EARNINGS PER SHARE

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

	Three months ended 31 March	
	2004	2003
	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share	46,211	37,666
Effect of dilutive potential shares:		
Interest on convertible note	<u>1,853</u>	<u>740</u>
Earnings for the purpose of diluted earnings per share	<u>48,064</u>	<u>38,406</u>
	Three months ended 31 March	
	2004	2003
	<i>No. of shares ('000)</i>	
Weighted average number of shares for the purpose of basic earnings per share	941,651	605,076
Effect of dilutive potential shares:		
Options	20,636	29,526
Convertible note	–	169,491
Convertible Bond	<u>97,851</u>	<u>–</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>1,060,138</u>	<u>804,093</u>

5. RESERVES

	Share			Assets			Total
	Premium	Exchange	Capital	General	Revaluation	Retained	
	Reserve	Reserve	Reserve	Reserve	Reserve	Earnings	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2003	49,593	(192)	1,101	2,077	4,973	150,313	207,865
Transfer	-	-	-	177	-	(177)	-
Net profit for the period	-	-	-	-	-	37,666	37,666
At 31 March 2003	<u>49,593</u>	<u>(192)</u>	<u>1,101</u>	<u>2,254</u>	<u>4,973</u>	<u>187,802</u>	<u>245,532</u>
At 1 January 2004	135,092	(1,277)	1,101	4,310	4,881	358,037	502,144
Addition during the period	-	-	41	-	-	-	41
Premium arising on issue of shares	605,280	-	-	-	-	-	605,280
Issue expenses in connection with the issues of shares	(28,260)	-	-	-	-	-	(28,260)
Disposal of subsidiary	-	2	-	-	-	-	2
Transfer	-	-	(7,031)	-	-	461	(6,570)
Net profit for the period	-	-	-	-	-	46,211	46,211
At 31 March 2004	<u>712,112</u>	<u>(1,275)</u>	<u>(5,889)</u>	<u>4,310</u>	<u>4,881</u>	<u>404,709</u>	<u>1,118,848</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2004.

REVIEW OF OPERATIONS

The PRC economy continued to grow rapidly during the first quarter of 2004. Strong activities were seen in all major sectors, driven by growing private investment, consumer and business confidence. According to preliminary figures, the PRC recorded a gross domestic product of RMB2,710.6 billion in the first quarter, a growth of 9.7% over the same period last year. The favourable economic environment provided good conditions for the Group to further expand its market share and enhance its economies-of-scale benefits.

The Group's businesses achieved remarkable results during the first quarter. Compared with the corresponding period last year, the Group's turnover for the three months ended 31 March 2004 increased by 18% to approximately HK\$411,238,000. Gross profit increased by 18% to approximately HK\$80,756,000 while net profit rose by 23% to approximately HK\$46,211,000.

Wholesale of LP Gas

Wholesale of LP Gas comprises the sale of LP Gas in bulk and in cylinders to wholesale customers by tank lorries and tank vessels, which accounts for approximately 55% of the Group's total turnover for the three months ended 31 March 2004. The turnover for this business segment for the period amounted to approximately HK\$227,019,000, a growth of 3.9% compared with the corresponding period last year.

Retail of LP Gas in Cylinders

The Group's retail business comprises the direct sale of LP Gas in cylinders to retail customers. For the three months ended 31 March 2004, retail sales grew by 32.7% to approximately HK\$92,159,000, accounting for approximately 22% of the Group's total turnover, while the number of end-user customers increased to approximately 1,813,000 households. The retail business has been gaining proportion in the Group's turnover mix and contributing favourably to the Group's profit. By capitalising on its economies-of-scale benefits and brand advantage, the retail business has further increased its market share and expanded its revenue base.

Sale of Piped Gas

During the first quarter of 2004, the Group maintained a strong growth for its piped gas business comprising the direct sales of piped LP Gas and piped natural gas to end-user households. Turnover of this business segment increased by 116.2% to approximately HK\$14,470,000, accounting for approximately 4% of the Group's total turnover for the period.

As at 31 March 2004, the Group had approximately 306,100 connected households of end-user customers for its sale of piped gas, an increase of approximately 195,400 connected households over the corresponding figure at 31 March 2003.

Gas Pipeline Development

The Group's gas pipeline development business includes mainly the construction and maintenance of piped gas stations, and direct connection of gas pipelines to end-user households for which the Group receives a connection fee. For the three months ended 31 March 2004, the Group received approximately HK\$71,846,000 in connection fee, an increase of approximately 42.9% over the corresponding period last year. The amount accounted for approximately 17% of the Group's total turnover for the period under review.

The Group has made gas pipeline development a long-term core business, and has been utilising the connection fees received for the further expansion of the pipelines to increase market penetration and expand the customer base. These laid a solid foundation for the Group to enjoy a growing source of revenue from the business. The Group is making strong efforts to safeguard and expand its customer base and to ensure that both residential and industrial/commercial users can enjoy a reliable supply of clean and safe energy in a convenient manner.

Acquisition of New Projects

During the three months ended 31 March 2004, the Group secured solid progress in negotiating for new projects in target regions, with some of them at the final stage of discussions and signing of formal agreements expected to take place in mid-2004. The Yuechi project in the Sichuan province has been concluded during the period under review.

Sichuan Yuechi Project

On 14 January 2004, the Group through its wholly-owned subsidiary Panriver Investments Company Limited (“Panriver Investments”), entered into an acquisition agreement with the Municipal Government of Yuechi municipality of Sichuan Province to acquire a 90% equity interest in Yuechi Natural Gas Company (“Yuechi Gas”) for a consideration of RMB37,000,000. Pursuant to the agreement, the Group was granted an exclusive right to develop piped natural gas in Yuechi for 30 years. As a result of the acquisition, the Group has further increased its market share and strengthened its competitiveness in the piped natural gas sector in Sichuan, which significantly enhanced the Group’s economies-of-scale benefits and competitive advantages.

Located in Sichuan province, Yuechi municipality occupies an area of approximately 1,480 square kilometres with a population of approximately 1,100,000 and connectable natural gas households of approximately 290,000. Yuechi is situated in the shallow bowl of Sichuan Basin with rich natural gas resources, and is directly accessible to the state government’s Yulu Natural Gas Pipeline. As such, Yuechi has an abundant supply of natural gas amounting to 300,000 cubic metres daily. Compared to other cities in Sichuan using natural gas as a domestic fuel, Yuechi municipality has a relatively low ratio of less than 10% in natural gas penetration, providing huge room for natural gas development.

Yuechi Gas is principally engaged in the processing and distribution of natural gas, the operating of natural gas metres, the design, installation and maintenance of natural gas pipelines and water heaters, and the sale of natural gas appliances. It operates the piped natural gas network in Yuechi including the construction of the main trunk and sub-branch networks, the connection of natural gas pipelines to individual households, and the supply of piped gas to industrial, commercial and residential users.

Business Integration and Management Enhancement

In view of the significant increase in acquired projects and the rapid development of the Group’s existing businesses, the management has taken active measures to integrate the various operating companies in order to enhance the Group’s overall efficiency. The Group is committed to exploring and promoting the best management practices and developing and nurturing talents with strong leadership to ensure that those capable staff members can take up management responsibilities promptly and efficiently. Moreover, the Group has been dedicating great efforts to cultivate a strong corporate culture, which has earned high respect in the industry.

Enhancements in Technology and Safety

During the first quarter of 2004, the Group's "Safety Engineering Division" in Nanjing has completed the master plan on technological development and begun implementation in accordance with last year's formulated strategy. Moreover, Nanjing Panva has fully implemented the use of bar codes and trademark colours to distinguish its gas cylinders with satisfactory results. These measures contributed to the stronger standing of PANVA brand products and strengthened the Group's corporate image as a "trustworthy expert" and a leading force in the PRC's gas fuel market.

Financial Position

The Group continued to enjoy a healthy financial position. As at 31 March 2004, the Group's cash and cash equivalent amounted to approximately HK\$894,135,000. The strong cash position enables the Group to undertake new development projects and further expand its operations.

As at 31 March 2004, the Group's bank loans and other borrowings amounted to approximately HK\$445,066,000, of which approximately HK\$374,635,000 arose from the Group's issue of 5-year convertible bonds in April 2003 arranged by Morgan Stanley & Co. International Limited. The borrowings were mainly used to fund expansion in the piped gas business and the LP Gas business and as working capital. The Group ended the period under review with a current ratio of approximately 6 times and a gearing ratio (total borrowings divided by total equity) of approximately 37%. If the 5-year convertible bonds were not taken into account, the Group's gearing ratio would be approximately 4%. With sufficient financial resources, the Group is well positioned to maintain a smooth operation for its businesses.

Contingent Liabilities

The Group has no material contingent liabilities as at the balance sheet date.

Prospects

Public utilities will become a major area of reform as urbanisation in the PRC heads a new direction, providing the Group with unprecedented development opportunities. In order to capture these opportunities, the Group will strengthen its efforts in the following areas:

- The Group will continue to adopt mergers and acquisitions as major means to participate in the reform of state-owned gas enterprises in order to accelerate its city piped gas development in target regions.
- The Group will further expand the business territories, market shares and end-user customer bases of its existing gas fuel operations by further improving their management and service standards.
- The Group will continue to improve the integration of its operating companies and enhance their management to further reduce their operating costs and increase their efficiencies.
- The Group will further strengthen its investment policies and processes and improve the structure, quality and profitability of the investment projects in order to generate satisfactory returns for shareholders.

OTHER INFORMATION

Disclosure of Interests

Directors' Interests or short positions in Shares and in share options

At 31 March 2004, the interests and short positions of the Directors of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO); or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to rules 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Directors	Interest in Shares Long positions/(Short positions)			Interest in underlying Shares pursuant to share options	Aggregate interest/ (Short positions)	Approximate percentage of the Company's issued share capital
	Beneficial owner	Interest of controlled corporation	Total interest in Shares			
Chen Wei	4,160,000	-	4,160,000	5,040,000	9,200,000	0.98%
Lai Wen Guang	800,000	-	800,000	2,560,000	3,360,000	0.36%
Lau Shi Wa	600,000	-	600,000	600,000	1,200,000	0.13%
Li Fujun	1,000,000	-	1,000,000	2,600,000	3,600,000	0.38%
Ou Yaping	-	604,871,587	604,871,587	3,600,000	608,471,587	64.62%
	-	(38,461,538)	(38,461,538)	-	(38,461,538)	(4.08%)
		(Note)				
Tang Yui Man, Francis	5,440,000	-	5,440,000	960,000	6,400,000	0.68%

Note: The 604,871,587 Shares represent (i) 429,298,462 Shares held by Kenson Investment Limited (“Kenson”) (Kenson is a wholly-owned subsidiary of Sinolink Worldwide Holdings Limited (“Sinolink”). 65.01% interests of Sinolink are held by Asia Pacific Promotion Limited (“Asia Pacific”). Mr. Ou is the sole beneficial owner of Asia Pacific). Mr. Ou is deemed under the SFO to be interested in these Shares; (ii) 6,081,600 Shares held by Asia Pacific directly. The entire issued share capital of Asia Pacific are legally and beneficially held by Mr. Ou; and 169,491,525 Shares held by Supreme All Investments Limited (“Supreme All”). 100% interests of Supreme All are held by Sinolink. Mr. Ou is deemed under the SFO to be interested in these Shares.

Kenson is under an obligation to transfer 38,461,538 Shares to Hutchison International Limited (“Hutchison International”) upon full exchange of a HK\$125,000,000 redeemable note (the “Note”) held by Hutchison International in accordance with the terms and conditions of the Note.

Details of the directors’ interests in share options granted by the Company are set out under the heading “Directors’ rights to acquire Shares” below.

Directors' rights to acquire Shares

Pursuant to the Company's share option scheme, the Company has granted options on the Company's ordinary Shares in favour of certain directors, the details of which are as follows:

Name of Directors	Date of grant	Exercisable period	Exercise price HK\$	Number of Shares subject to outstanding options as at 1.1.2004	Exercised during the period	Number of Shares subject to outstanding options as at 31.3.2004	Approximate percentage of the Company's issued share capital
Chen Wei	04.04.2001	01.01.2003-03.04.2011	0.475	1,800,000	-	1,800,000	0.19%
	04.04.2001	01.01.2004-03.04.2011	0.475	1,800,000	-	1,800,000	0.19%
	13.11.2001	13.11.2002-13.02.2007	0.94	1,440,000	-	1,440,000	0.15%
Lai Wen Guang	04.04.2001	01.01.2003-03.04.2011	0.475	1,200,000	800,000	400,000	0.04%
	04.04.2001	01.01.2004-03.04.2011	0.475	1,200,000	-	1,200,000	0.13%
	13.11.2001	13.02.2002-13.02.2007	0.94	288,000	-	288,000	0.03%
	13.11.2001	13.05.2002-13.02.2007	0.94	288,000	-	288,000	0.03%
	13.11.2001	13.11.2002-13.02.2007	0.94	384,000	-	384,000	0.04%
Lau Shi Wa	04.04.2001	01.01.2003-03.04.2011	0.475	600,000	600,000	-	0.06%
	04.04.2001	01.01.2004-03.04.2011	0.475	600,000	-	600,000	0.06%
Li Fujun	04.04.2001	01.01.2003-03.04.2011	0.475	1,200,000	280,000	920,000	0.10%
	04.04.2001	01.01.2004-03.04.2011	0.475	1,200,000	-	1,200,000	0.13%
	13.11.2001	13.11.2002-13.02.2007	0.94	480,000	-	480,000	0.05%
Ou Yaping	04.04.2001	01.01.2003-03.04.2011	0.475	1,800,000	-	1,800,000	0.19%
	04.04.2001	01.01.2004-03.04.2011	0.475	1,800,000	-	1,800,000	0.19%
Tang Yui Man, Francis	13.11.2001	13.11.2002-13.02.2007	0.94	960,000	-	960,000	0.10%

Note: The vesting period of the share options is from the date of grant until the commencement of the exercise period.

Interests in shares in associated corporations

Name of Directors	Name of associated corporations	Interest of controlled corporation	Capacities		Aggregate Interest	Approximate percentage of the issued share capital of associated corporation
			Beneficial owner	Held by spouse		
Ou Yaping	Sinolink	1,245,185,000 (Note 1)	–	5,396,600	1,250,581,600	65.29%
	Enerchina Holdings Limited	1,800,653,451 (Note 2)	–	–	1,800,653,451	236.07%
	Asia Pacific	–	1	–	1	100%
	Supreme All	1	–	–	1	100%

Notes:

1. These shares are held by Asia Pacific, a company incorporated in the British Virgin Islands, which is legally and beneficially owned by Mr. Ou Yaping, Chairman of the Company.
2. The 1,800,653,451 Shares represent the aggregate of: (a) the 257,039,515 Shares in the existing share capital of the Company in which Sinolink is interested (Mr Ou Yaping through his wholly-owned company, Asia Pacific, holds approximately 65.01% of the existing issued share capital of Sinolink and is therefore deemed to be interested in all the Shares in which Sinolink is interested); (b) the 514,079,030 Shares in which Sinolink is deemed to be interested as a result of its, and the Smart Orient Investments Limited ("Smart Orient"), undertaking to subscribe for all the Offer Shares to which it is entitled under the Open Offer (Smart Orient is a wholly-owned subsidiary of Sinolink and therefore Sinolink is deemed to be interested in all the Shares held by the Smart Orient); and (c) the 1,029,534,906 Shares being the maximum number of Offer Shares which the Smart Orient may be required to take up under the Underwriting Agreement.

Interests in options to subscribe for shares of associated corporation

Name of Directors	Name of associated corporation	Date of grant	Exercise period	Exercise price <i>HK\$</i>	Number of share options held
Chen Wei	Sinolink	14.03.2002	01.09.2002-01.09.2004	0.67	6,000,000
		14.03.2002	01.12.2002-01.12.2005	0.67	6,000,000
Tang Yui Man, Francis	Sinolink	14.03.2002	01.09.2002-01.09.2004	0.67	1,900,000
		14.03.2002	01.12.2002-01.12.2005	0.67	1,900,000

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

Save as disclosed above, none of the Directors or chief executives or their respective associates (as defined in the GEM Listing Rules) had any interests or short positions in Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO; or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to rules 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Substantial Shareholders

At 31 March 2004, the following person(s) or corporations, other than the Directors or chief executives of the Company as disclosed above, had an interest in the Shares and underlying Shares of the Company which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Long positions and short positions in Shares and underlying Shares in the Company

Name of shareholders	Interest in Shares Long positions/(short positions) Held by			Total interest in Shares	Interest in underlying Shares pursuant to share options/ debentures	Aggregate interest/ (short positions)	Approximate percentage of the Company's issued share capital
	Beneficial owner	controlled corporation	Held by trust				
Kenson	429,298,462 (38,461,538) <i>(Note 1)</i>	-	-	429,298,462 (38,461,538)	-	429,298,462 (38,461,538)	45.59% (4.08%)
Sinolink	-	598,789,987 (38,461,538)	-	598,789,987 (38,461,538)	-	598,789,987 (38,461,538)	63.59% (4.08%)
Asia Pacific	-	604,871,587 (38,461,538)	-	604,871,587 (38,461,538)	-	604,871,587 (38,461,538)	64.24% (4.08%)
Ou Yaping	-	604,871,587 (38,461,538)	-	604,871,587 (38,461,538)	3,600,000	608,471,587 (38,461,538)	64.62% (4.08%)
Hutchison International Limited	38,461,538	-	-	38,461,538	38,461,538	76,923,076	8.17%
Hutchison Whampoa Limited	-	38,461,538 <i>(Note 2)</i>	-	38,461,538	38,461,538	76,923,076	8.17%
Cheung Kong (Holdings) Limited	-	38,461,538 <i>(Note 3)</i>	-	38,461,538	38,461,538	76,923,076	8.17%
Li Ka-Shing Unity Trustee Company Limited	-	-	38,461,538 (as trustee) <i>(Note 3)</i>	38,461,538	38,461,538	76,923,076	8.17%
Li Ka-Shing Unity Trustcorp Limited	-	-	38,461,538 (as trustee and beneficiary of a trust) <i>(Note 3)</i>	38,461,538	38,461,538	76,923,076	8.17%
Li Ka-Shing Unity Trustee Corporation Limited	-	-	38,461,538 (as trustee and beneficiary of a trust) <i>(Note 3)</i>	38,461,538	38,461,538	76,923,076	8.17%
Li Ka-shing	-	38,461,538 (also as founder of discretionary trusts) <i>(Note 3)</i>	-	38,461,538	38,461,538	76,923,076	8.17%

Notes:

1. Sinolink is interested in the entire issued share capital of Kenson. Therefore, by virtue of Section 310 of Part XV of the SFO, the Shares in which Kenson is shown as being interested are included in and duplicate with interest in the Shares of the Company held by Sinolink and Asia Pacific. Mr. Ou is the sole beneficial shareholder of Asia Pacific. Mr. Ou is deemed under Part XV of the SFO to have an interest in the Shares held by Kenson.

Kenson is under an obligation to transfer 38,461,538 Shares to Hutchison International upon full exchange of a HK\$125,000,000 Note held by Hutchison International in accordance with the terms and conditions of the Note.

2. Hutchison International is interested in 38,461,538 Shares and in the Note which is exchangeable into existing Shares at the exchange price of HK\$3.25 (subject to adjustment) per Share. Upon full exchange of the Note at the initial exchange price, Hutchison International shall be entitled to another 38,461,538 Shares and is accordingly interested in an aggregate of 76,923,076 Shares.

Hutchison International is a wholly owned subsidiary of Hutchison Whampoa Limited ("Hutchison Whampoa"). By virtue of Part XV of the SFO, Hutchison Whampoa is deemed to be interested in 76,923,076 Shares.

3. Certain subsidiaries of Cheung Kong (Holdings) Limited ("Cheung Kong") are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of Hutchison Whampoa.

Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital, owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited ("TUT1"). TUT1 as trustee of The Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of Cheung Kong.

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 holds units in The Li Ka-Shing Unity Trust.

By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TDT1, TDT2, TUT1 and Cheung Kong are all deemed to be interested in the 38,461,538 Shares and the Note representing 38,461,538 underlying Shares both held by Hutchison International.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be disclosed under Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

Save for the shareholders as disclosed herein, the directors are not aware of any persons who, as at 31 March 2004, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

COMPETING INTERESTS

None of the directors or management shareholders of the Company had 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 5.29 to 5.30 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 the 2 independent non-executive directors, Mr. Cheung Hon Kit and Mr. Li Xiao Ru.

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 2004