



**Panva Gas Holdings Limited**

**百江燃氣控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**First Quarterly Report 2001**

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

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*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 increased to approximately HK\$262.5 million, up 26.29% from the corresponding period last year.
- Gross profit increased by approximately 191.05% to HK\$14.1 million.
- Gross profit margin increased to 5.38% from 2.33% of the corresponding period last year.
- Net profit increased substantially to approximately HK\$1.29 million, when compared to a loss of approximately HK\$1.62 million for the same period last year.
- Sale of Liquefied Petroleum Gas ("LPG") in cylinders to retail customers accounted for approximately 20.04% of the Group's turnover, a significant increase from the 5.86% of 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 combined results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31 March 2001, together with the comparative figures of the corresponding period in 2000, as follows:

	Notes	For the three months ended 31 March	
		2001 HK\$'000	2000 HK\$'000
Turnover	2	<b>262,464</b>	207,820
Cost of sales		<b>(248,345)</b>	(202,969)
Gross profit		<b>14,119</b>	4,851
Other revenue		<b>17</b>	139
Distribution costs		<b>(5,003)</b>	(3,734)
Administrative expenses		<b>(6,071)</b>	(3,895)
Other operating expenses		<b>(480)</b>	(122)
Profit (loss) from operations		<b>2,582</b>	(2,761)
Finance costs		<b>(77)</b>	(54)
Investment income	3	<b>963</b>	344
Profit (loss) from ordinary activities before taxation		<b>3,468</b>	(2,471)
Taxation	4	<b>—</b>	—
Profit (loss) before minority interests		<b>3,468</b>	(2,471)
Minority interests		<b>(2,174)</b>	853
Net profit (loss) for the period		<b>1,294</b>	(1,618)
Dividends		<b>—</b>	—
Profit (loss) for the period, retained		<b>1,294</b>	(1,618)
Earnings (loss) per share	5	<b>HK cents 0.32</b>	HK cents (0.40)

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 Ltd., 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.

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 People's Republic of China ("PRC") including the sale of LPG in bulk and in cylinders, the provision of piped gas, and the sale of LPG household appliances.

## 2. Turnover

An analysis of the Group's turnover for the three months ended 31 March 2001 is as follows:

	<b>For the three months ended 31 March</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Sale of LPG in bulk	<b>195,738</b>	184,538
Sale of LPG in cylinders to wholesale customers	<b>11,825</b>	10,631
Sale of LPG in cylinders to retail customers	<b>52,601</b>	12,180
Provision of piped gas	<b>685</b>	3
Sale of LPG appliances	<b>1,615</b>	468
	<b>262,464</b>	207,820

### 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 (Guizhou) Co., Ltd. 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 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%.

There was no significant unprovided deferred taxation for the three months ended 31 March 2001 and for the corresponding period last year, as there were no significant timing differences.

### 5. **Earnings (Loss) per share**

The calculation of the earnings per share for the three months ended 31 March 2001 and the calculation of the loss per share for the three months ended 31 March 2000 was based on the results for the respective periods and on the 405,000,000 Shares in issue during that period on the assumption that the Reorganisation had been effective on 1 January 2000.

There is no diluted earnings (loss) per share for the three months ended 31 March 2001 and for the corresponding period in 2000 since the Company has no dilutive potential shares during these periods.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2001 (2000: Nil).

## REVIEW OF OPERATIONS

The Group has embarked on a healthy business growth following three years of active marketing and business development efforts since the establishment of the Group's first operating subsidiary in 1998. The continued improvement of the Group's operating results during the first quarter of 2001 illustrates that the Group is moving steadily forward towards its goals.

For the three months ended 31 March 2001, the Group recorded a turnover of approximately HK\$262,464,000, representing an increase of approximately 26.29% compared to the corresponding period in 2000. Building on a solid foundation, the Group continued to expand the distribution channels and capitalising on economies of scale, resulting in a steady growth in terms of LPG sales volume. The gross profit margin of the Group increased to approximately 5.38% for the three months ended 31 March 2001, a substantial increase from the 2.33% 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 of the Group which commands a relatively higher gross profit margin than the wholesale operation.

The increase in turnover of the Group was mainly attributable to the increase in the sale of LPG in cylinders to retail customers. During the first quarter of 2001, retail sales of LPG in cylinders to retail customers amounted to approximately \$52.6 million, representing an increase of approximately 331.86% from the corresponding period last year, of which Nanjing Panva LPG Ltd. ("Nanjing Panva"), a non-wholly owned operating subsidiary of the Group, accounted for approximately 63.51% of the total retail sales of the Group. The remaining 36.49% were attributable to other operating subsidiaries of the Group, which on average recorded a growth rate of more than 48% from the corresponding period last year. The strong growth reflects the Group's continuously successful marketing strategy, helping the Group to reinforce its market share in the LPG retail market in the PRC.

Profit attributable to shareholders also increased to approximately HK\$1,294,000 from a loss of approximately HK\$1,618,000 in 2000.

As at 31 March 2001, the Group's cash and bank balance amounted to approximately HK\$147,140,000, with bank borrowings of approximately HK\$2,245,000.

## **End-user Customers**

By continuously strengthening its marketing efforts and improving its services, the Group was able to secure a growing number of end-user customers. As at 31 March 2001, the Group had approximately 850,000 household of end-user customers, representing an increase of approximately 240% compared with the corresponding period last year. It also represented an increase of approximately 6.3%, or approximately 50,000 households, from that of 31 December 2000.

## **The Kunming Project**

During the three months ended 31 March 2001, the Group completed the feasibility study on the potential investment in a LPG joint venture project in Kunming, Yunnan province, the PRC, and has commenced negotiations and dialogues with the potential domestic partner on the formation of the joint venture. As a result of the devoted efforts from both sides, initial works for the formation of the joint venture, including drafting of the joint venture agreement and the memorandum and articles of association of the joint venture in subject, have been completed. Detail aspects of the joint venture are currently being discussed.

## **The Changsha Project**

The Group has substantially completed a feasibility study on seeking further expansion in the LPG retail market in Changsha city, Hunan province, the PRC, and has formed a special task force to evaluate, analyse and assess the various identified options. During the three months ended 31 March 2001, the Group has commenced negotiations and dialogues with a potential partner in Changsha in preparation for the setting up of a new joint venture.



## PROSPECTS

With the PRC economy rapidly growing and the PRC government's increasing emphasis on environmental protection, the Group believes that LPG, being a clean, efficient and convenient "green" fuel, will continue to have an enormous market potential driven by a growing number of household, industrial and commercial users.

Looking ahead, the Group plans to continue implementing the following development measures:

- Further expanding the retail business, enhancing the sales mix, and integrating the operations to achieve economies of scale.

Presently, the wholesale business remains as the Group's major source of revenue. In order to enlarge the revenue base, the Group will continue to expand its retail market share, increase the number of end-user customers and strengthen its leverage and influence in the LPG market. The Group will closely examine the possibilities of making further investments along these directions.

- Penetrating into the south-western region of the PRC and fully utilising the benefits of economies of scale

As the PRC is adopting policies to develop the western areas, the southwestern economy is expected to grow rapidly. This will significantly increase the demand for fuel, in particular LPG, in the southwestern region. With the launch of the Kunming project, the Group will be able to take advantage of this favourable environment by coordinating its operations in the major cities of Guiyang and Kunming with greater benefits from economics of scale, so as to seek further penetration into the growing LPG market in the southwestern region.

- Further strengthening the Group's marketing efforts and enhancing the market image of the "PANVA" brand

In order to increase its market share, the Group plans to further invest in marketing and promotion to fully capitalise on the advantageous position of the "PANVA" brand. The Group has laid down clear objectives and will strive to reach them through television and newspaper advertising campaigns and other promotional measures.

## DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 20 April 2001, the date of the listing of the Company on GEM, the interests of the directors of the Company and their respective associates in the share capital and share options 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:

### (i) *Interests in Shares of the Company*

<b>Name of Director</b>	<b>Nature of Interests</b>	<b>No. of Shares Held</b>
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") in the Company and (ii) 10,068,000 Shares held by Asia Pacific Promotion Limited ("Asia Pacific") in the Company. Mr. OU Yaping 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 of the Associated Corporations*

<b>Name of Director</b>	<b>Name of Associated Corporation</b>	<b>Type of Interest</b>	<b>Number of Shares Held/Percentage of Equity Interest Owned by the Relevant Group Members</b>
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 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%

<b>Name of Director</b>	<b>Name of Associated Corporation</b>	<b>Type of Interest</b>	<b>Number of Shares Held/Percentage of Equity Interest Owned by the Relevant Group Members</b>
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 Enterprises (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%
Mr. OU Yaping	Pan River Gas (Guizhou) Co., Ltd. 貴州百江燃氣有限公司	Corporate	50.10%
Mr. OU Yaping	Singkong Investments Limited	Corporate	100%
Mr. OU Yaping	Sinolink International Investment (Group) Limited	Corporate	1 share of US\$1 each

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. OUYaping	Sinolink LPG Development Limited	Corporate	1 share of US\$1 each
Mr. OUYaping	Sinolink LPG Investment Limited	Corporate	1 share of US\$1 each
Mr. OUYaping	Sinolink Petrochemical Investment Limited	Corporate	1 share of US\$1 each
Mr. OUYaping	Sinolink Power Investment Limited	Corporate	1 share of US\$1 each
Mr. OUYaping	Wuhu Pan River Enterprises Jiangbei Co., Ltd. 蕪湖百江江北能源有限公司	Corporate	51%
Mr. OUYaping	Nanling Pan River LPG Co., Ltd. 南陵百江液化氣有限責任公司	Corporate	55%
Mr. OUYaping	Wuhu Pan River Sanpeng LPG Co., Ltd. 蕪湖百江三朋液化氣有限公司	Corporate	55%
Mr. OUYaping	Xiangtan Pan River Energy Industry Co., Ltd. 湘潭百江能源實業有限公司	Corporate	55%
Mr. OUYaping	Yiyang Pan River Enterprises Co., Ltd.# 益陽百江能源實業有限公司	Corporate	60%
Mr. OUYaping	Yongzhou Pan River Enterprises Co., Ltd. 永州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	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 Ordinance) 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.

(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 20 April 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 year and at no time during the year 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 20 April 2001, the date of the listing of the Company on GEM, 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 20 April 2001, the date of the listing of the Company on GEM.

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 19 April 2003.

## COMPETING INTERESTS

Mr. ZHENG Dunxun, non-executive director of the Company, is also a director of 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.

## **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*

14 May 2001