

Panva Gas Holdings Limited  
百江燃氣控股有限公司

(Incorporated in the Cayman Islands with limited liability)



The Third 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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1

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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

- For the nine months ended 30 September 2001, the Group's turnover was approximately HK\$760,611,000, which is in-line with the corresponding period last year.
- For the nine months ended 30 September 2001, the Group's gross profit increased to approximately HK\$53,897,000 representing a substantial increase of approximately 144% from the corresponding period last year.
- Net profit increased substantially to approximately HK\$9,531,000, when compared to a loss of approximately HK\$6,985,000 for the same period last year.
- Sale of Liquefied Petroleum Gas ("LPG") in cylinders to retail customers for the nine months ended 30 September 2001 increased significantly to approximately HK\$144,182,000 representing an increase of approximately 183% from the corresponding period last year.
- Sale of LPG in bulk decreased by approximately 17% for the nine months ended 30 September 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.
- Formal approval was obtained for the establishment of a Sino-foreign equity joint venture, Panva Gas (Yunnan) Co., Ltd. ("Yunnan PANVA") in the city of Kunming, Yunnan Province in the People's Republic of China ("PRC").
- An agreement was signed on 19 September 2001 with the local government of Gaochun, a suburb of the city of Nanjing, Jiangsu province in the PRC, giving the Group the exclusive right to build and operate the piped gas infrastructure of Gaochun.

## 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 and nine months ended 30 September 2001, together with the comparative figures of the corresponding periods in 2000, as follows:

	Notes	Nine months end 30 September		Three months ended 30 September	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	2	<b>760,611</b>	766,297	<b>242,194</b>	279,020
Cost of sales		<b>(706,714)</b>	(744,227)	<b>(223,434)</b>	(273,878)
Gross profit		<b>53,897</b>	22,070	<b>18,760</b>	5,142
Other revenue		<b>7,404</b>	319	<b>6,844</b>	129
Distribution costs		<b>(15,333)</b>	(13,413)	<b>(5,103)</b>	(4,304)
Administrative expenses		<b>(24,932)</b>	(17,439)	<b>(10,746)</b>	(7,339)
Other operating expenses		<b>(1,035)</b>	(1,712)	<b>(444)</b>	(1,501)
Profit (loss) from operations		<b>20,001</b>	(10,175)	<b>9,311</b>	(7,873)
Finance costs		<b>(1,675)</b>	(179)	<b>(833)</b>	(119)
Investment income	3	<b>3,355</b>	1,875	<b>1,139</b>	1,305
Profit (loss) from ordinary activities before taxation		<b>21,681</b>	(8,479)	<b>9,617</b>	(6,687)
Taxation	4	<b>—</b>	—	<b>—</b>	—
Profit (loss) before minority interests		<b>21,681</b>	(8,479)	<b>9,617</b>	(6,687)
Minority interests		<b>(12,150)</b>	1,494	<b>(5,184)</b>	1,893
Net profit (loss) for the period		<b>9,531</b>	(6,985)	<b>4,433</b>	(4,794)
Dividends		<b>—</b>	—	<b>—</b>	—
Profit (loss) for the period, retained		<b>9,531</b>	(6,985)	<b>4,433</b>	(4,794)
Earnings (loss) per share	5	<b>HK cents 2.06</b>	HK cents (1.72)	<b>HK cents 0.89</b>	HK cents (1.18)

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.

4

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 nine months ended 30 September 2001 is as follows:

	Nine months ended		Three months ended	
	30 September		30 September	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sale of LPG in bulk	566,726	686,450	181,395	249,766
Sale of LPG in cylinders to wholesale customers	32,508	27,361	10,035	6,007
Sale of LPG in cylinders to retail customers	144,182	51,007	44,670	22,785
Provision of piped gas	2,380	204	759	4
Gas pipelines construction	9,942	—	3,437	—
Sale of LPG appliances	4,873	1,275	1,898	458
	<u>760,611</u>	<u>766,297</u>	<u>242,194</u>	<u>279,020</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 Petrochemical Baijiang Energy Co., Ltd ("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 nine months ended 30 September 2001 is based on the profit of approximately HK\$4,433,000 and approximately HK\$9,531,000 respectively and the weighted average number of 500,000,000 and 462,977,941 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 nine months ended last year is based on the loss of approximately HK\$4,794,000 and approximately HK\$6,985,000 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 nine months ended 30 September 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	Exchange Reserve	Capital Reserve	Statutory Reserve	Enterprise Expansion Reserve	Retained Earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2000	—	166	—	535	267	(13,471)	(12,503)
Exchange difference on translation of overseas operation	—	(151)	—	—	—	—	(151)
Profit for the period	—	—	—	—	—	(2,192)	(2,192)
At 30 June 2000	—	15	—	535	267	(15,663)	(14,846)
Exchange difference on translation of overseas operation	—	(17)	—	—	—	—	(17)
Profit for the period	—	—	—	—	—	(4,794)	(4,794)
At 30 September 2000	—	(2)	—	535	267	(20,457)	(19,657)
At 1 January 2001	—	(106)	—	535	267	(12,643)	(11,947)
Issue of shares	68,250	—	—	—	—	—	68,250
Share issue expense	(12,921)	—	—	—	—	—	(12,921)
Contribution from a minority shareholder	—	—	939	—	—	—	939
Profit for the period	—	—	—	—	—	5,098	5,098
At 30 June 2001	55,329	(106)	939	535	267	(7,545)	49,419
Profit for the period	—	—	—	—	—	4,433	4,433
At 30 September 2001	55,329	(106)	939	535	267	(3,112)	53,852

6

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2001.

## REVIEW OF OPERATIONS

During the nine months ended 30 September 2001, the Group concentrated on strengthening its control over the management of operating subsidiaries and consolidating and increasing its market share in the retail sector, building a solid foundation for the long term development of the Group's operations. Through dedication, hard work and tighter corporate management, the Group obtained a satisfactory result with improvements shown in most aspects of the Group's operations.

### Nine-month period

7

For the nine months ended 30 September 2001, the Group recorded a turnover of approximately HK\$760,611,000, representing a slight decrease of approximately 0.74% compared to the corresponding period in 2000. The gross profit margin of the Group increased to approximately 7.1% for the nine months ended 30 September 2001, a substantial increase from the 2.9% 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. Profit attributable to shareholders increased significantly to approximately HK\$9,531,000 from a loss of approximately HK\$6,985,000 for the corresponding period last year.

### Quarterly period

For the three months ended 30 September 2001, the Group recorded a turnover of approximately HK\$242,194,000, the gross profit margin of the Group increased to approximately 7.7% for the three months ended 30 September 2001, a substantial increase from the 1.8% recorded by the Group for the corresponding period last year. Profit attributable to shareholders increased significantly to approximately HK\$4,433,000 from a loss of approximately HK\$4,794,000 for the corresponding period last year.



## **Yunnan PANVA**

After a year of hard work and negotiation, the Yunnan government formally approved the establishment of Yunnan PANVA on 18 September 2001. The business of Yunnan PANVA includes sales and distribution of LPG, LPG processing, LPG storage, the provision of piped gas, the owning and operation of LPG vehicle filling facilities, and the provision of gas pipelines construction services. With enormous market potential in the south-western region of the PRC, the establishment of Yunnan PANVA is a huge step forward in the development of new markets, setting another milestone for the Group.

In addition to consolidating existing markets, the Group continue to look for new markets, and during the period, market researches and feasibility studies have been carried out in Nanchang, Hefei, Yangzhou, and Tibet. The Group has commenced discussions with local operators in the possibility of establishing business partnerships in some of these cities.

8

### **End-user household customers**

Through the strengthening of customer management and the continuous improvement of customer services, the Group's retail end-user customers is now over 1,000,000 households, an increase of approximately 150,000 households during the half year when compared to the 850,000 households at the end of the first quarter. The continuous increase of end-user customers is providing a solid foundation for the Group to further increase its retail market share and in turn, higher profitability.

## Project Gaochun

On 19 September 2001, the Group through Panriver Investments Co., Ltd. (“Panriver”) a wholly foreign owned subsidiary of the Company established in the PRC, and Nanjing Panva LPG Company Ltd. (“Nanjing PANVA”), a 55% indirectly owned subsidiary of the Company, entered into an agreement with the local government of Gaochun (高淳縣). Gaochun is a suburb of the city of Nanjing in the Jiangsu province with a population of approximately 110,000 covering an area of approximately 8 square kilometres. In accordance with the terms of the agreement, Panriver and Nanjing PANVA is to establish a sino-foreign equity joint venture in Gaochun (“Gaochun PANVA”) with its principal business being the exclusive development, construction and operation of gas pipelines in Gaochun. The registered capital of the joint venture is US\$1,010,000 (equivalent to approximately HK\$7,807,300) with Panriver holding 51% of the registered capital and Nanjing PANVA holding the remaining 49%. The local government of Gaochun has promised to grant Gaochun PANVA certain benefits such as exclusive operation, tax benefit, and others.

9

## Gas pipelines construction

During the period, the Group has established a “Piped Gas Task Force” to centralise the management, planning, evaluation, development and control of the gas pipelines construction operations of the Group. Since its establishment, the Piped Gas Task Force has completed detailed studies on the piped gas markets in the Jiangsu, Zhejiang and Shangdong provinces. The Group has commenced the feasibility evaluation of possible piped gas development projects and has commenced discussions with certain local operators on the possible business partnerships in some of these areas.

## PROSPECTS

Building on a proven foundation, the Group will continue to develop its LPG and LPG related businesses, strengthen and raising its corporate management concepts and ideals, with the ultimate aim of generating satisfactory returns for shareholders. The Group will be focusing its efforts to further increase its already solid retail customer base by concentrating on the development of its gas pipelines construction business. In addition to the Gaochun project, which is planned to commence construction within this year, the Group will continue to look for promising projects and hopes to generate a handsome return for the Group.

With the huge market potential of the southwestern region of the PRC and the PRC government's policy to develop the region, the establishment of Yunnan PANVA will enable the Group to capitalise on the enormous growth potential.

10

The Group will shortly be signing letters of intent for co-operations with the relevant PRC provinces, under which the Group intends to participate in the city natural gas pipelines projects in these provinces through equity investment or acquisition.

Should these projects be implemented as planned, they will mark the formal participation of the Group in the businesses of natural gas investment and development. Moreover, such developments can also be speeded up through enterprise restructurings and mergers and acquisitions.

## DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

### Interests in Shares of the Company

As at 30 September 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:

#### (i) *Interests in Shares*

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

11

#### *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)	1,014,536,000 ordinary share
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	Panriver 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%

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	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%
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	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 66.42%, holds more than 50%. Therefore, Mr. OU Yaping is deemed (by virtue of the 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 30 September 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 company, 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 September 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.

15

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 September 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 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.

## NOTICE OF APPOINTMENT OF DIRECTOR

Mr. TANG Yui Man, Francis was appointed as executive director of the Company with effect from 12 November 2001.

By Order of the Board  
**Chen Wei**  
*Managing Director*

Hong Kong, 12 November 2001

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