



Panva Gas Holdings Limited
百江燃氣控股有限公司

(Incorporated in the Cayman Islands with limited liability)

The **3rd** 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

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

WEBSITE

www.panva-gas.com

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 nine months ended 30 September 2002, the Group's turnover increased to approximately HK\$761 million, approximately the same as the corresponding period last year.
- For the nine months ended 30 September 2002, the Group's gross profit increased to approximately HK\$157 million, representing an increase of approximately 192% from the corresponding period last year.
- Net profit increased substantially to approximately HK\$75 million, representing an increase of approximately 7 times 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 and nine months ended 30 September 2002, together with the comparative figures of the corresponding periods in 2001, as follows:

	Notes	Nine months ended		Three months ended	
		30 September 2002	2001	30 September 2002	2001
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover		761,255	760,611	261,915	242,194
Cost of sales		(603,884)	(706,714)	(225,486)	(223,434)
Gross profit		157,371	53,897	36,429	18,760
Other revenue		804	7,404	477	6,844
Distribution costs		(20,428)	(15,333)	(6,923)	(5,103)
Administrative expenses		(38,514)	(24,932)	(11,497)	(10,746)
Other operating expenses		(510)	(1,035)	(149)	(444)
Profit from operations		98,723	20,001	18,337	9,311
Finance costs		(2,405)	(1,675)	(849)	(833)
Investment income	2	1,534	3,355	486	1,139
Profit from ordinary activities before taxation		97,852	21,681	17,974	9,617
Taxation	3	(570)	-	(165)	-
Profit before minority interests		97,282	21,681	17,809	9,617
Minority interests		(22,184)	(12,150)	(3,651)	(5,184)
Net profit for the period		75,098	9,531	14,158	4,433
Dividends		-	-	-	-
Profit for the period, retained		75,098	9,531	14,158	4,433
Earnings per share	4	HK cents	HK cents	HK cents	HK cents
Basic		12.46	1.59	2.34	0.74
Diluted		10.02	1.45	1.93	0.65

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) Chapter 22 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 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 (together "Gas Fuel") in the People's Republic of China ("PRC") including the sale of LP Gas in bulk and in cylinders, the provision of piped natural gas and LP Gas, construction of gas pipelines, the operation of city gas pipeline network, the operation of Gas Fuel automobile refilling stations, and the sale of natural gas and LP 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.

The tax rate applicable for all 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 following data:

	Nine months ended 30 September		Three months ended 30 September	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Earnings for the purpose of basic earnings per share	75,098	9,531	14,158	4,433
Effect of dilutive potential shares:				
Interest on convertible note	<u>2,373</u>	<u>1,651</u>	<u>797</u>	<u>550</u>
Earnings for the purpose of diluted earnings per share	<u>77,471</u>	<u>11,182</u>	<u>14,955</u>	<u>4,983</u>
	No. of Shares	No. of Shares	No. of Shares	No. of Shares
Weighted average number of shares for the purpose of basic earnings per share	602,661,000	600,000,000	605,076,000	600,000,000
Effect of dilutive potential shares:				
Options	1,243,000	–	1,780,000	–
Convertible note	<u>169,491,000</u>	<u>169,491,000</u>	<u>169,491,000</u>	<u>169,491,000</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>773,395,000</u>	<u>769,491,000</u>	<u>776,347,000</u>	<u>769,491,000</u>

The calculation of the basic and diluted earnings per share for the three months and nine months ended 30 September 2001 is based on the assumption that the Reorganisation had been effective on 1 January 2000.

5. RESERVES

	Share Premium Reserve HK\$'000	Exchange Reserve HK\$'000	Assets Revaluation Reserve HK\$'000	Capital Reserve HK\$'000	General Reserve HK\$'000	Retained Earnings HK\$'000	Total HK\$'000
At 1 January 2001	-	(107)	-	-	802	(12,643)	(11,948)
Issue of shares	68,250	-	-	-	-	-	68,250
Share issue expense	(12,921)	-	-	-	-	-	(12,921)
Arising in the period	-	-	-	939	-	-	939
Profit for the period	-	-	-	-	-	5,098	5,098
At 30 June 2001	55,329	(107)	-	939	802	(7,545)	49,418
Profit for the period	-	-	-	-	-	4,433	4,433
At 30 September 2001	<u>55,329</u>	<u>(107)</u>	<u>-</u>	<u>939</u>	<u>802</u>	<u>(3,112)</u>	<u>53,851</u>
At 1 January 2002	55,329	(107)	4,973	1,101	1,212	18,640	81,148
Exchange difference on translation of overseas operation	-	6	-	-	-	-	6
Bonus shares dividend	(10,003)	-	-	-	-	-	(10,003)
Issue of shares	4,267	-	-	-	-	-	4,267
Arising in the period	-	-	-	1	-	-	1
Transfer	-	-	-	-	830	(830)	-
Profit for the period	-	-	-	-	-	60,940	60,940
At 30 June 2002	49,593	(101)	4,973	1,102	2,042	78,750	136,359
Exchange difference on translation of overseas operation	-	(299)	-	-	-	-	(299)
Profit for the period	-	-	-	-	-	14,158	14,158
At 30 September 2002	<u>49,593</u>	<u>(400)</u>	<u>4,973</u>	<u>1,102</u>	<u>2,042</u>	<u>92,908</u>	<u>150,218</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2002.

REVIEW OF OPERATIONS

During the nine months ended 30 September 2002, through continuous enhancement of internal management and realignment of resources and the persistent efforts to expand in the PRC market, the Group has further strengthened the LP Gas wholesale business and significantly increased its market share in the retail sales of LP Gas in cylinders and piped gas.

Nine-month period

For the nine months ended 30 September 2002, the Group recorded a turnover of approximately HK\$761,255,000, approximately the same as the corresponding period in 2001. The gross profit margin of the Group increased to approximately 20.67% for the nine months ended 30 September 2002, a substantial increase from the 7.09% 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 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\$75,098,000, representing a substantial increase of approximately 7 times from the corresponding period last year.

Quarterly period

For the three months ended 30 September 2002, the Group recorded a turnover of approximately HK\$261,915,000, representing an increase of approximately 8.14% compared to the corresponding period in 2001. The gross profit margin of the Group increased to approximately 13.91% for the three months ended 30 September 2002, a substantial increase from the 7.75% recorded by the Group for the corresponding period last year. Profit attributable to shareholders increased significantly to approximately HK\$14,158,000, representing an increase of approximately 2 times from the corresponding period last year.

End-user household customers

Supported by a growing number of piped gas projects and the continuous improvement in customer service and management, the Group's end-user household customers continued to grow. As at 30 September 2002, the Group's retail end-user customers amounted to approximately 1,468,000 households. Of this amount, approximately 1,410,000 households were cylinder gas users and approximately 58,000 households were piped gas users, representing an increase of approximately 85,000 households and approximately 7,000 households respectively for the three months ended 30 September 2002. With the continuous growth in end-user customers, the Group can further capitalise on the economy-of-scale benefits of the retail business and increase its influence and leverage in the marketplace.

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 nine months ended 30 September 2002, retail sales amounted to approximately HK\$185,434,000, representing an increase of 3.55% from the corresponding period last year. Although the increase in monetary terms was not significant, the unit selling price of LP Gas was significantly lower when compared to the same period last year. For sale of LP Gas in cylinders and sale of piped LP Gas, the quantity sold increased by approximately 18% and 17.5% from the same period last year respectively. Piped natural gas sold during the nine months period amounted to approximately 3,600,000 cubic metres.

Wholesale of LP Gas

For the nine months ended 30 September 2002, the business recorded a turnover of approximately HK\$468,676,000, representing a decrease of 17.3% compared with the corresponding period last year. The decline was mainly caused by reduced sale price in LP Gas, which on average decreased by approximately 19% when compared to the corresponding period last year.

Gas pipeline construction

For the nine months ended 30 September 2002, revenue from the gas pipeline construction business amounted to approximately HK\$95,452,000, accounting for approximately 12.54% of the Group's total turnover. The higher gross profit margin of the gas pipeline construction business contributed significantly to the Group's total gross profit during the nine months ended 30 September 2002.

Progress of gas pipelines development projects

During the period under review, the Group continued to achieve good progress in the development of gas pipelines projects. Not only were negotiations held with gas operators in a number of cities in the Sichuan, Hunan, Jiangsu and Anhui provinces, but letters of intent or co-operation on city gas pipelines development had been signed with some of the operators, with several of them now close to the final stage of formal contract signing. Given that the finalisation of these new projects is in the pipeline, it is believed that the city gas pipelines development business will be able to increase its turnover and profit contribution to the Group.

PROSPECTS

Given the continuing strong growth of the PRC economy, the energy and environmental protection sectors in the PRC will develop rapidly, which will provide the gas industry in the PRC with unprecedentedly huge opportunities. 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 and to achieve further growth in its operating results.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

At 30 September 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 Transaction by Directors of Listed Companies were as follows:

(i) *Interests in shares of the Company*

Name of directors	Nature of interests	No. of shares held
Mr. Chen Wei	Personal	2,160,000
Mr. Li Fu Jun	Personal	720,000
Mr. Ou Yaping	Corporate	441,380,062 (Note)
Mr. Tang Yui Man, Francis	Personal	1,440,000

Note:

The 441,380,062 shares represent (i) 429,298,462 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 67.62%. Mr. Ou was deemed (by virtue of SDI Ordinance) to be interested in these shares. (ii) 12,081,600 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	Asia Pacific Promotion Limited	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	Kenson	Corporate (Note 1)	1 ordinary share
Mr. Ou Yaping	Nanjing Panva LPG Company Ltd. 南京百江液化氣有限公司	Corporate	55%
Mr. Ou Yaping	Nanling Pan River LPG Co. Ltd. 南陵百江液化氣有限責任公司	Corporate	55%

(ii) **Interests in shares in associated corporations** (Cont'd)

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	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 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	28.53%
Mr. Ou Yaping	Shenzhen Fuhuade Electric Power Co., Ltd.	Corporate	30%
Mr. Ou Yaping	Shenzhen Sinolink Enterprises Co. Ltd.	Corporate	80%
Mr. Ou Yaping	Shenzhen Sinolink Property Management Co. Ltd.	Corporate	75%
Mr. Ou Yaping	Enerchina Holdings Limited (formerly known as Silvernet Group Limited)	Corporate	29.99%
Mr. Ou Yaping	Sinolink Worldwide Holdings Limited ("Sinolink Worldwide")	Corporate (Note 1)	67.63%
Mr. Ou Yaping	Wuhu Pan River Jiangbei Enterprises Co. Ltd. 蕪湖百江江北能源有限公司	Corporate	51%

(ii) *Interests in shares in associated corporations (Cont'd)*

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	Xiangtan Pan River Energy Industry Co. Ltd. 湘潭百江能源實業有限公司	Corporate	55%
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)
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	Ziyang Panva Gas Co. Ltd. 資陽百江燃氣有限公司 (Formerly known as Ziyang Gas Company 資陽燃氣總公司)	Corporate	90%

Note:

1. These shares are held by Asia Pacific, a company wholly-owned by Mr. Ou Yaping. 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 directors	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	0.475	1,800,000
	04.04.2001	01.01.2004 – 03.04.2011	0.475	1,800,000
Mr. Chen Wei	04.04.2001	01.01.2003 – 03.04.2011	0.475	1,800,000
	04.04.2001	01.01.2004 – 03.04.2011	0.475	1,800,000
	13.11.2001	13.11.2001 – 13.02.2011	0.94	1,440,000
Mr. Lai Wen Guang	04.04.2001	01.01.2003 – 03.04.2011	0.475	1,200,000
	04.04.2001	01.01.2004 – 03.04.2011	0.475	1,200,000
	13.11.2001	13.02.2002 – 13.02.2007	0.94	288,000
	13.11.2001	13.05.2002 – 13.02.2007	0.94	288,000
Mr. Lau Shi Wa	04.04.2001	01.01.2003 – 03.04.2011	0.475	600,000
	04.04.2001	01.01.2004 – 03.04.2011	0.475	600,000
Mr. Li Fujun	04.04.2001	01.01.2003 – 03.04.2011	0.475	1,200,000
	04.04.2001	01.01.2004 – 03.04.2011	0.475	1,200,000
	13.11.2001	13.11.2002 – 13.02.2007	0.94	480,000
Mr. Tang Yui Man, Francis	13.11.2001	13.11.2002 – 13.02.2007	0.94	960,000

Save as disclosed above, none of the directors and their respective 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 30 September 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, 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 30 September 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 (%)
Kenson	429,298,462	70.95
Sinolink Worldwide (note)	429,298,462	70.95
Asia Pacific (note)	441,380,062	72.95
Mr. Ou Yaping via Asia Pacific (note)	441,380,062	72.95

SUBSTANTIAL SHAREHOLDERS (Cont'd)

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 30 September 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 30 September 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 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 2 members comprising the 2 independent non-executive directors, Mr. Cheung Hon Kit and Mr. Sun Hiu Lu.

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, 13 November 2002