



PANVA

Panva Gas Holdings Limited

百江燃氣控股有限公司

(Incorporated in the Cayman Islands with limited liability)

The **1st** quarterly report

2003

BOARD OF DIRECTORS

Executive Directors

Mr. Ou Yaping (*Chairman*)
Mr. Chen Wei (*Managing Director*)
Mr. Lai Wen Guang
Mr. Lau Shi Wa
Mr. Li Fujun
Mr. Tang Yui Man, Francis

Non-executive Directors

Mr. Fok Kin Ning, Canning
Mr. To Chi Keung, Simon (*alternate director to Mr. Fok Kin Ning, Canning*)
Mr. Zheng Dun Xun

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

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

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/panvagass

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

- The Group's turnover increased to approximately HK\$349 million representing an increase of approximately 46.44% from the same period last year.
- Gross profit increased to approximately HK\$69 million representing an increase of approximately 14.02% from the same period last year.
- Net profit increased to approximately HK\$38 million representing an increase of approximately 31.08% from the same period last year.

RESULTS

The board of directors (the "Board") of Panva Gas Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31 March 2003, together with the comparative figures of the corresponding period in 2002, as follows:

	Notes	For the three months ended 31 March	
		2003 HK\$'000	2002 HK\$'000
Turnover		348,724	238,127
Cost of sales		(280,188)	(178,020)
Gross profit		68,536	60,107
Other revenue		61	142
Distribution costs		(7,352)	(6,628)
Administrative expenses		(12,346)	(13,449)
Other operating expenses		(56)	(71)
Profit from operations		48,843	40,101
Finance costs		(967)	(757)
Investment income	2	150	371
Profit from ordinary activities before taxation		48,026	39,715
Taxation	3	(1,528)	(77)
Profit before minority interests		46,498	39,638
Minority interests		(8,832)	(10,902)
Net profit for the period		37,666	28,736
		HK cents	HK cents
Earnings per share			
Basic	4	6.23	4.79
Diluted	4	4.78	3.82



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 shares of the Company are listed on GEM of the Stock Exchange.

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 other PRC subsidiaries range from 15% to 33%.

Deferred taxation has not been provided for in the financial statements, as there were no significant timing differences arising during the periods.

4. EARNINGS PER SHARE

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

	For the three months ended 31 March	
	2003	2002
	HK\$'000	<i>HK\$'000</i>
Earnings for the purpose of basic earnings per share	37,666	28,736
Effect of dilutive potential shares:		
Interest on convertible note	<u>740</u>	<u>740</u>
Earnings for the purpose of diluted earnings per share	<u>38,406</u>	<u>29,476</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	605,076,000	600,053,393
Effect of dilutive potential shares:		
Options	29,525,596	1,838,327
Convertible note	<u>169,491,525</u>	<u>169,491,525</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>804,093,121</u>	<u>771,383,245</u>



5. RESERVES

	Share			Assets			Total
	Premium Reserve	Exchange Reserve	Capital Reserve	General Reserve	Revaluation Reserve	Retained Earnings	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2002	55,329	(107)	1,101	1,212	4,973	18,640	81,148
Premium on issue of shares	170	-	-	-	-	-	170
Arising in the period	-	-	1,060	-	-	-	1,060
Transfer	-	-	-	596	-	(596)	-
Net profit for the period	-	-	-	-	-	28,736	28,736
At 31 March 2002	<u>55,499</u>	<u>(107)</u>	<u>2,161</u>	<u>1,808</u>	<u>4,973</u>	<u>46,780</u>	<u>111,114</u>
At 1 January 2003	49,593	(191)	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>(191)</u>	<u>1,101</u>	<u>2,254</u>	<u>4,973</u>	<u>187,802</u>	<u>245,532</u>

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2003.

REVIEW OF OPERATIONS

Capitalising on the PRC's further opening up of the gas fuel market to foreign investors, the Group has been devoting efforts to market development and management enhancement in order to achieve greater gains. Compared with the corresponding period last year, the Group's turnover for the three months ended 31 March 2003 increased by 46.44% to approximately HK\$349 million, yet the gross profit of the Group did not grow proportionally. This was mainly attributable to the extreme volatility of LP Gas prices within a very short time frame during the period under review, caused by the volatility in international crude oil prices due to the development in the

REVIEW OF OPERATIONS *(Cont'd)*

Iraqi war. Given that international crude oil prices and LP Gas prices have gradually been stabilizing, and that the Group has been adopting measures to further enhance management structure and efficiency and reduce operational costs, it is believed that the Group's gross profit margin will significantly improve in the second quarter. Profit attributable to shareholders amounted to approximately HK\$38 million, representing an increase of approximately 31.08% from the corresponding period last year. The Group made satisfactory progress in the development of gas pipeline projects. On top of the letters of intent or co-operation previously entered into and disclosed, the Group is also finalising two to three new projects. However, contract signing has been postponed due to the outbreak of severe acute respiratory syndrome (SARS). Completion of the projects is expected to take place in the second quarter.

Wholesale of LP Gas

Wholesale of LP Gas includes the sale of LP Gas in bulk and sale of LP Gas in cylinders to wholesale customers by means of tank lorries or tank vessels. It remained as a major business of the Group, recording a turnover of approximately HK\$218 million for the three months ended 31 March 2003, which represented a gain of 53% compared with the corresponding period last year. The increase was due to the soaring demand for clean energy in the PRC, with LP Gas being a major preferable domestic fuel amidst a rapidly growing economy.

Retail sales

Included in retail sales are the sale of LP Gas in cylinders to retail customers, provision of piped LP Gas and provision of piped natural gas. For the three months ended 31 March 2003, retail sales amounted to approximately HK\$76 million representing a growth of 23% from the corresponding period last year. The growth reflected the Group's increasing benefits from strategically allocating more resources to this higher gross profit margin business. With the successful development of new markets, a continuous rise in market share and ongoing improvement in internal management, retail sales are steadily gaining a higher proportion in the Group's total turnover.



Gas pipeline construction

For the three months ended 31 March 2003, revenue derived from the gas pipeline construction business increased by 72% to approximately HK\$50 million, accounting for approximately 14% of the Group's total turnover. The revenue increase was mainly contributed by the gas pipeline projects in Sichuan. The business enjoys a relatively higher gross profit margin, which is partly due to successful cost reduction that came from employing advanced gas transmission technology and adopting sophisticated international management practice.

END-USER HOUSEHOLD CUSTOMERS

Through continuously strengthening customer management and service and employing new marketing measures to attract customers, the Group's end-user household customers further increased to approximately 1,640,700 households as at 31 March 2003. Of the amount, approximately 1,530,000 households were cylinder gas users and approximately 110,700 households were piped gas users, representing an increase of approximately 280,000 households and 75,700 households respectively from the corresponding figures as at 31 March 2002. The continuous growth in end-user household customers laid a solid foundation for the Group to further capitalise on the economy-of-scale benefits of the retail business and increase the influence and leverage of the business in the marketplace.

PROGRESS OF GAS PIPELINES DEVELOPMENT PROJECTS

During the period under review, the Group secured a higher market share in target regions by capitalising on its existing gas pipeline and cylinder gas projects in the regions to radiate expansion to the peripheries. As for new projects, the progress in Sichuan as well as in other provinces has been encouraging. The group is currently in discussion with more than 30 city gas pipeline network development projects in the PRC and has signed letters of intents with 13 cities. It is preliminarily estimated that approximately RMB1 billion (approximately HK\$935 million) would be invested in these related projects.

These negotiations are at a very preliminary stage which may or may not lead to any agreements, although the Group intends to complete some of the projects negotiation in 2003, the Group does not have a definitive completion timetable.

PANVA MANAGEMENT INSTITUTE

During the period under review, the Panva Management Institute was established in Nanjing as part of the means to extend and promote the Group's corporate culture, to continuously enhance its management and operation, and to nurture talents for its future development. The preparation works, including site selection and renovations have already been completed, with formal completion of all works scheduled on 1 June 2003, upon which the Institute will commence operation. As the Group's internal training complex, the Panva Management Institute will be headed by Mr. Chen Wei, the Managing Director of the Company. It will host staff training programmes on various subjects including professional know-how, management and operational skills, sales and marketing, and corporate culture.

STANDARD & POOR'S RATING

On 10 April 2003, the Group was assigned a "BB+" foreign currency corporate credit rating and a stable outlook by international credit agency Standard & Poor's, which reflected the Group's leading position in the LP Gas and piped natural gas markets in the PRC, and its sound financial status. This was the first time that a GEM-listed enterprise received the rating from the authoritative agency, giving proof to the Group's overall strength as well as recognition of the Group's years of solid rapid development. The rating provided strong and additional support for the Group to further develop the gas fuel market and enhance its brand value in the PRC.

ISSUE OF CONVERTIBLE BONDS

In order to take advantage of the accelerating growth expected in the PRC's gas fuel market, the Group is in the progress to undertake a further number of city-pipeline and LP Gas projects in more target regions, which will require additional funding resources. On 23 April 2003, the Group successfully issued convertible bonds at an aggregate principal amount of US\$50,000,000 (approximately HK\$390,000,000) on the Luxembourg Stock Exchange. The issue was fully subscribed with Morgan Stanley & Co. International Limited as the lead manager. Out of the net proceeds, approximately 70% and 20% respectively will be used to fund expansion in the piped gas business and the LP Gas business, whereas the remaining 10% will be used as working capital. The successful fund-raising exercise has greatly facilitated the Group's strategy to further expand its market share, and demonstrated the strong recognition from international investors.

PROSPECTS

With the full commencement of the “West to East Gas Pipelines Project”, the liquefied natural gas project in Fujian, Guangdong, and the Russia southbound gas transmission project, the PRC gas fuel market is expected to expand further. Particularly encouraging to the market is the new directive published by the Ministry of Construction early this year. Under the “Suggestions on Accelerating the Marketisation of Public Utilities”, private and foreign capital are encouraged to participate in the construction and operation of public utilities in a variety of forms, such as wholly-owned, equity or contractual joint ventures. This provided stronger policy support for foreign investors to enter the gas fuel market in the PRC. The Group will seize the opportunity to gear up expansion in the gas fuel market. During the course, the Group will further strengthen its corporate management, create core resources and enrich core competitiveness, with the ultimate objective of bringing satisfactory returns for shareholders. Details of the measures are as follows:

Wholesale business: As this business is more susceptible to market changes, the Group will focus on inventory management to increase its profitability. The amount and timing of purchase and sale will be tightly controlled, with due regard to market demand and supply, to maintain inventory at the optimum cost efficient level.

Retail sales of LP Gas in cylinders: New projects will be launched in supply markets that offer the richest and cheapest resources with the most intense competition, and in demand markets that have the strongest consumption power. The Group will adhere to the “Regional Development Strategy for Cylinder Gas”, with the aim to further expand business territory and to attain sustainable growth for the retail business.

Piped gas business: The Group will further strengthen the management of existing piped gas projects to increase their profitability. As for market development, the Group will closely investigate, assess and negotiate for development projects in southwestern, eastern and northern PRC, providing full support of human and facility resources for their launches to ensure that the projects meet or exceed the targets.

Against all odds in the period under review, including the pallid global capital market and the extremely volatile international crude oil market, the Group managed to maintain a healthy growth. This owed much to the solid strength of the Group as well as the trust and support from investors. With an enhanced management structure and increased management and market development efforts, the Group is poised to bring more pleasing returns to shareholders in the coming future.

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

As at 31 March 2003, the interests of the Directors and chief executive of the Company in the securities of the Company or its associated corporations (within the meaning of Part XV of the Securities & Futures Ordinance ("SFO")) which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which they were taken or deemed to have under such provisions of SFO), or which were required, pursuant to Sections 352 or 345 of Part XV of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Interests in shares of the Company

Name of Directors	Note	Number of Shares Held and Nature of Interest	
		Nature of Interests	No. of Shares Held
Mr. Chen Wei		Personal	2,160,000
Mr. Li Fujun		Personal	720,000
Mr. Ou Yaping	1	Corporate	441,380,062
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") (Kenson is a wholly-owned subsidiary of Sinolink Worldwide Holdings Limited ("Sinolink"). 67.63% 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 by SFO to be interested in these shares; and (ii) 12,081,600 shares held by Asia Pacific directly. The entire issued share capital of Asia Pacific are legally and beneficially held by Mr. Ou.

Interests in convertible note

As at 31 March 2003, Kenson held a convertible note amounting to HK\$100,000,000. Such convertible note can be converted into 169,491,525 shares of the Company on or before 1 April 2004 at a conversion price of HK\$0.59 per share. Mr. Ou Yaping is deemed under SFO to have an interest in such convertible note of the Company held by Kenson.

**Interests in shares in associated corporations**

Name of director	Name of associated corporation	Nature of interest	Number of shares held/ percentage of equity interest owned by the relevant Group members	<i>Notes</i>
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%	3
Mr. Ou Yaping	Chuzhou YPC & Panva Energy Co., Ltd. 滁州揚子百江能源有限公司	Corporate	60%	3
Mr. Ou Yaping	Kenson	Corporate	1 ordinary share	1
Mr. Ou Yaping	Nanjing Panva LPG Co., Ltd. 南京百江液化氣有限公司	Corporate	55%	3
Mr. Ou Yaping	Nanling Pan River LPG Co., Ltd. 南陵百江液化氣有限責任公司	Corporate	55%	3
Mr. Ou Yaping	Pan River Enterprises (Changde) Co., Ltd. 常德百江能源實業有限公司	Corporate	85%	3
Mr. Ou Yaping	Pan River Enterprises (Changsha) Co., Ltd. 長沙百江能源實業有限公司	Corporate	60%	3

Interests in shares in associated corporations (Cont'd)

Name of director	Name of associated corporation	Nature of interest	Number of shares held/ percentage of equity interest owned by the relevant Group members	<i>Notes</i>
Mr. Ou Yaping	Pan River Enterprises (Hengyang) Co., Ltd. 衡陽百江能源實業有限公司	Corporate	84%	3
Mr. Ou Yaping	Pan River Enterprises (Wuhu) Co., Ltd. 蕪湖百江能源實業有限公司	Corporate	55%	3
Mr. Ou Yaping	Panva Southwest 百江西南燃氣有限公司	Corporate	50.1%	3
Mr. Ou Yaping	Panva Gas (Yunnan) Co., Ltd. 雲南百江燃氣有限公司	Corporate	56.94%	3
Mr. Ou Yaping	Pengxi Panva Gas Co., Ltd. 蓬溪百江燃氣有限公司	Corporate	90%	3
Mr. Ou Yaping	Weiyuan Panva Gas Co., Ltd. 威遠百江燃氣有限公司	Corporate	99.5%	3
Mr. Ou Yaping	Shenzhen Fuhuade Electric Power Co., Ltd.	Corporate	30%	3
Mr. Ou Yaping	Shenzhen Sinolink Enterprises Co., Ltd.	Corporate	80%	3
Mr. Ou Yaping	Shenzhen Sinolink Property Management Co., Ltd.	Corporate	75%	3

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

Name of director	Name of associated corporation	Nature of interest	Number of shares held/ percentage of equity interest owned by the relevant Group members	<i>Notes</i>
Mr. Ou Yaping	Enerchina Holdings Limited (Formerly known as Silvernet Group Limited)	Corporate	40.44%	4
Mr. Ou Yaping	Sinolink	Corporate	67.63%	1
Mr. Ou Yaping	Wuhu Pan River Jiangbei Enterprises Co., Ltd. 蕪湖百江江北能源有限公司	Corporate	51%	3
Mr. Ou Yaping	Xiangtan Pan River Energy Industry Co., Ltd. 湘潭百江能源實業有限公司	Corporate	55%	3
Mr. Ou Yaping	Yangzi Petrochemical Baijiang Energy Resources Co., Ltd. 揚子石化百江能源有限公司	Corporate	50%	2, 3
Mr. Ou Yaping	Yiyang Pan River Enterprises Co., Ltd. 益陽百江能源實業有限公司	Corporate	60%	3
Mr. Ou Yaping	Yongzhou Pan River Enterprises Co., Ltd. 永州百江能源實業有限公司	Corporate	60%	3
Mr. Ou Yaping	Ziyang Panva Gas Co., Ltd. 資陽百江燃氣有限公司	Corporate	90%	3

*Interests in shares in associated corporations (Cont'd)**Notes:*

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, a company in which Asia Pacific holds approximately 67.63%, holds more than 50%. Therefore, Mr. Ou Yaping is deemed (by virtue of SFO) 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 its board of directors.
3. Mr. Ou Yaping is deemed (by virtue of SFO) to be interested in the shares of these companies.
4. These shares are held by Sinolink, a company in which Asia Pacific holds approximately 67.63% interests. Therefore, Mr. Ou Yaping is deemed (by virtue of SFO) to be interested in these shares.

Interests in share options

Name of Directors	Date of Grant	Vesting Period	Exercisable Period	Exercise Price HK\$	Number of Share Option outstanding at 1.1.2003 and 31.3.2003
Mr. Ou Yaping	04.04.2001	04.04.2001 – 31.12.2002	01.01.2003 – 03.04.2011	0.475	1,800,000
	04.04.2001	04.04.2001 – 31.12.2003	01.01.2004 – 03.04.2011	0.475	1,800,000
Mr. Chen Wei	04.04.2001	04.04.2001 – 31.12.2002	01.01.2003 – 03.04.2011	0.475	1,800,000
	04.04.2001	04.04.2001 – 31.12.2003	01.01.2004 – 03.04.2011	0.475	1,800,000
	13.11.2001	13.11.2001 – 12.11.2002	13.11.2002 – 13.02.2011	0.94	1,440,000
Mr. Lai Wen Guang	04.04.2001	04.04.2001 – 31.12.2002	01.01.2003 – 03.04.2011	0.475	1,200,000
	04.04.2001	04.04.2001 – 31.12.2003	01.01.2004 – 03.04.2011	0.475	1,200,000
	13.11.2001	13.11.2001 – 12.02.2002	13.02.2002 – 13.02.2007	0.94	288,000
	13.11.2001	13.11.2001 – 12.05.2002	13.05.2002 – 13.02.2007	0.94	288,000
	13.11.2001	13.11.2001 – 12.11.2002	13.11.2002 – 13.02.2007	0.94	384,000
Mr. Lau Shi Wa	04.04.2001	04.04.2001 – 31.12.2002	01.01.2003 – 03.04.2011	0.475	600,000
	04.04.2001	04.04.2001 – 31.12.2003	01.01.2004 – 03.04.2011	0.475	600,000
Mr. Li Fujun	04.04.2001	04.04.2001 – 31.12.2002	01.01.2003 – 03.04.2011	0.475	1,200,000
	04.04.2001	04.04.2001 – 31.12.2003	01.01.2004 – 03.04.2011	0.475	1,200,000
	13.11.2001	13.11.2001 – 12.11.2002	13.11.2002 – 13.02.2007	0.94	480,000
Mr. Tang Yui Man, Francis	13.11.2001	13.11.2001 – 12.11.2002	13.11.2002 – 13.02.2007	0.94	960,000

Interest in options to subscribe for shares of associated corporation

Name of Directors	Name of associated corporation	Date of Grant	Vesting Period	Exercisable period	Exercise price HK\$	Number of Share Options outstanding at 1.1.2003 and 31.3.2003
Mr. Chen Wei	Sinolink	14.03.2002	14.03.2002 – 31.08.2002	01.09.2002 to 01.09.2004	0.67	6,000,000
		14.03.2002	14.03.2002 – 30.11.2002	01.12.2002 to 01.12.2005	0.67	6,000,000
Mr. Tang Yui Man, Francis	Sinolink	15.06.2001	15.06.2001 – 31.05.2002	01.06.2002 to 01.06.2005	0.41	1,650,000
		15.06.2001	15.06.2001 – 31.05.2003	01.06.2003 to 01.06.2006	0.41	1,650,000
		09.10.2001	09.10.2001 – 02.10.2002	03.10.2002 to 03.10.2005	0.33	2,750,000
		14.03.2002	14.03.2002 – 31.08.2002	01.09.2002 to 01.09.2004	0.67	1,900,000
		14.03.2002	14.03.2002 – 30.11.2002	01.12.2002 to 01.12.2005	0.67	1,900,000

Interest in options to subscribe for shares of associated corporation (Cont'd)

Save as disclosed above, as at 31 March 2003, none of the Directors or the chief executive of the Company had any interest in the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which they were taken or deemed to have such provisions of SFO), or which were required, pursuant to Sections 352 or 345 of Part XV of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003 the following interests are disclosable under Divisions 2 and 3 of the SFO (being interest in 5% or more in the issued share capital of the Company) or under the GEM Listing Rules (being 10% or more of the nominal value of any class of voting shares):

Name	<i>Notes</i>	Number of Shares	Shareholder's Interest (%)
Kenson	1	429,298,462	70.95%
Sinolink	1	429,298,462	70.95%
Asia Pacific	1	441,380,062	72.95%
Mr. Ou Yaping	1	441,380,062	72.95%
Hutchison International Limited	2	76,923,076	12.71%
Hutchison Whampoa Limited	2	76,923,076	12.71%



SUBSTANTIAL SHAREHOLDERS (Cont'd)

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.

Notes:

1. The shares in which Kenson is shown as being interested are included in and duplicate with interest in the shares held by Sinolink and Asia Pacific.

Mr. Ou is the sole beneficial shareholder of Asia Pacific, and hence Mr. Ou is deemed under 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 Limited ("Hutchison International") upon full exchange of the Note (as defined in Note 2 below) held by Hutchison International, in accordance with the terms and conditions of the Note.

2. Hutchison International is a wholly owned subsidiary of Hutchison Whampoa Limited, the interests of Hutchison are recorded as the interests of Hutchison Whampoa Limited.

Hutchison International is interested in 38,461,538 shares and HK\$125,000,000 redeemable note exchangeable into existing shares of HK\$0.10 each in the issued share capital of the Company at the exchange price of HK\$3.25 (subject to adjustment) per share. Upon full exchange of the redeemable note at the initial exchange price, Hutchison International will be entitled to 38,461,538 shares. Hutchison International shall have interest in an aggregate of 76,923,076 shares.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 31 March 2003, 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

Mr. Zheng Dunxun, a non-executive director of the Company, is also a director of Sinochem Hong Kong (Holdings) Co., Ltd., the business of which consists of LP Gas related business, which may compete indirectly with a part of the business of the Group.

COMPETING INTERESTS *(Cont'd)*

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 of the Group.

SPONSOR'S INTERESTS

As at 31 March 2003, none of the Company's sponsor, Tai Fook Capital Limited, 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 right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to the agreement dated 9 April 2001 and entered into between the Company and Tai Fook Capital Limited, Tai Fook Capital Limited is entitled to receive usual sponsorship fee for acting as the Company's retained sponsor for the period from 20 April 2001 to 31 December 2003.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference which deal clearly with its authority and duties in compliance with Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems. The audit committee has 2 members comprising 2 independent non-executive directors, Mr. Cheung Hon Kit and Mr. 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 2003