



Panva Gas Holdings Limited
百江燃氣控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1083



2006
Interim Report

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Directors

To Chi Keung, Simon

Independent Non-executive Directors

Cheung Hon Kit
Li Xiao Ru
Zhang Ke

Authorised Representatives

Ou Yaping
Tang Yui Man Francis

Compliance Officer

Li Fujun

Qualified Accountant

Yu Man To, Gerald
MBA, CPA (Aust.), CPA

Company Secretary

Lo Tai On

Audit Committee

Cheung Hon Kit (*Chairman*)
Li Xiao Ru
Zhang Ke

Remuneration Committee

Cheung Hon Kit (*Chairman*)
Li Xiao Ru
Ou Yaping
Zhang Ke

Nomination Committee

Cheung Hon Kit (*Chairman*)
Li Xiao Ru
Ou Yaping
Zhang Ke

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor
One Pacific Plaza
88 Queensway
Hong Kong

Registered Office

Ugland House
P.O. Box 309 GT
George Town
Grand Cayman
Cayman Islands
British West Indies

Head Office and Principal Place of Business

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Stock Code : 1083
Websites : www.panva-gas.com
www.irasia.com/listco/hk/panvagas

Compliance Advisor

Tai Fook Capital Limited
25th Floor, New World Tower
16-18 Queen's Road Central
Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Hong Kong Branch Share Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Legal Advisers

(As to Hong Kong Law)
Woo, Kwan, Lee & Lo

(As to Cayman Islands Law)

Maples and Calder

(As to the PRC Law)

Haiwen & Partners

Principal Bankers

Bank of China, Shenzhen Branch
Hang Seng Bank Limited
Industrial & Commercial Bank of China
(Asia) Ltd.
Nanyang Commercial Bank Ltd.,
Hong Kong Branch



CONTENTS	Page
Financial Highlights	2
Management Discussion and Analysis	2
Other Information	10
Independent Review Report	23
Condensed Consolidated Income Statement	24
Condensed Consolidated Balance Sheet	25
Condensed Consolidated Statement of Changes in Equity	27
Condensed Consolidated Cash Flow Statement	29
Notes to the Condensed Consolidated Financial Statements	30

The board of directors (the “Board”) of Panva Gas Holdings Limited (the “Company”) presents the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2006.

FINANCIAL HIGHLIGHTS

- The Group’s turnover increased to approximately HK\$1,243,931,000 representing an increase of 29.8% from the same period last year.
- Gross profit decreased to approximately HK\$215,245,000 representing a decrease of 4.3% from the same period last year.
- A loss attributable to shareholders of approximately HK\$221,139,000, a significant decrease when compared to a profit of approximately HK\$128,249,000 for the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to make progress in business management and project development during the first half of 2006. Through continuous operational effort, the subsidiaries have substantially increased sales of both piped gas and Liquefied Petroleum Gas (“LP Gas”), accelerating the pace of transforming the Group to a utility company. At the same time, the Group continued to grow through prudent acquisitions and has secured two new gas projects in the cities of Hangzhou and Fuxin.

Review of Operations

For the six months ended 30 June 2006, the Group recorded a turnover of approximately HK\$1,243,931,000, an increase of 29.8% over the same period last year. Gross profit decreased by 4.3% to approximately HK\$215,245,000. The Group recorded a loss attributable to equity holders of the Company of approximately HK\$221,139,000, a significant decrease from HK\$128,249,000 profit recorded for the same period last year.

The decrease in gross profit was mainly due to the fewer number of new piped gas user connections recorded during the period when compared to the same period last year and the lower average connection fee income per connection for our projects in the northeastern part of the People’s Republic of China (the “PRC”) when compared to the Sichuan area.

The loss attributable to equity holders of the Company is mainly attributed from the loss in fair value on the two interest rate swaps of approximately HK\$181,608,000, increase in the interest expenses of approximately HK\$93,666,000, increase in the distribution and administrative expenses of approximately HK\$55,586,000, a decrease on the contribution from associated companies of approximately HK\$24,336,000, and a fewer number of new piped gas user connections recorded during the period when compared to the same period last year. However, the loss was slightly offset by the discount on acquisition of subsidiaries and additional interests of a subsidiary of approximately HK\$12,998,000.



Loss in the fair value on the two interest rate swaps

The loss in fair value of the two interest rate swaps during the period amounted to approximately HK\$181,608,000 (approximately US\$23,298,000) taking the cumulative fair value loss to approximately HK\$491,069,000 (approximately US\$62,998,000). However on 21 and 22 September 2006, both swaps were terminated at an aggregate value of US\$55,950,000 (approximately HK\$436,130,000). The difference between the loss recorded as at 30 June 2006 and at the termination date will be written back through the profit and loss account.

Interest expenses

The increase in the interest expenses when compared to the corresponding period last year is attributable to the additional interest provision for the interest rate swaps. However, as the two swaps have now been terminated, the additional interest provision will no longer be required. As at 30 June 2006, the net interest accrued on the two swaps amounted to approximately HK\$32,229,000 (approximately US\$4,135,000). This amount will be written back through the profit and loss account.

Distribution and administrative expenses

Distribution and administrative expenses increased significantly to approximately HK\$138,647,000, an increase of approximately 66.9% when compared to the corresponding period last year. The increase was mainly attributable to the newly acquired and established operating subsidiaries. Although the new operating subsidiaries contributed in terms of turnover and gross profit, these operating subsidiaries are currently being transformed from a state owned enterprise ("SOE") to a Panva company, it is expected that the Group will not immediately enjoy the benefits of the efficiency and effectiveness of such transformation measures.

In the prior years, completion of newly acquired or established companies completed throughout over the course of a year and the financial impact on the transformation of such SOEs were not as noticeable. During the current period, the completion of 5 operating subsidiaries all in the first half of the year created a significant impact on the cost structure of the Group.

Contribution from associated companies

The results of our major associated company in Changchun has decreased significantly when compared to the same period last year. Although the gas business (gas sales, new piped gas user connections, and the operation of automobile LP Gas refilling stations) has remained strong, the sale of coking coal and related products has deteriorated when compared to the corresponding period last year.

Sale of LP Gas in Bulk

Sale of LP Gas in bulk comprises the direct sale of LP Gas to wholesale customers in large quantities which are delivered by tank lorries and tank vessels. It remained a principal activity of the Group during the period, benefiting from the efforts of the Central Operation Steering Committee to provide timely market information and forecast to the subsidiaries and to centralise their resources and purchasing, which helped reduce the overall cost of purchasing. As a result, the wholesale business was able to achieve solid development despite high volatility in the prices of LP Gas during the period. When compared to the corresponding period last year, for the six months ended 30 June 2006, the business increased its turnover by 22.3% to approximately HK\$512,568,000, accounting for approximately 41.2% of the Group's total turnover.

Retail of LP Gas

This business comprises the direct sale of LP Gas in cylinders to end-user customers. During the first half of 2006, there has been a general decline in the prices of LP Gas products mostly as a result of supply and demand balance shift. On one hand, major refineries have substantially increased their output capacity and increased the supply of LP Gas in the domestic market. On the other hand, the increasing availability of other alternative fuel source helped drive down the demand for LP Gas. Meanwhile, retail LP Gas prices have also been decreasing, but at a slower pace than wholesale LP Gas prices. Hence, the Group achieved an increase in both sales and gross profit in LP Gas retail segment. When compared to the corresponding period last year, the Group's turnover derived from this business increased by 44.2% to approximately HK\$369,294,000, accounting for approximately 29.7% of the total turnover.

As at 30 June 2006, the Group serviced approximately 2,350,000 households for its retail sale of LP Gas in cylinders, and sold 56,000 tonnes of LP Gas during the period, an increase of 17.5% over the corresponding six months period in 2005.

Sale of Piped Gas

This business comprises the direct sale of piped natural gas, piped LP Gas and piped coal gas to end-user households. When compared to the corresponding period last year, turnover derived from this business increased by 235.6% to approximately HK\$184,011,000, accounting for approximately 14.8% of the Group's total turnover.

For the six months ended 30 June 2006, the Group has sold 132 million cubic metres of piped gas, an increase of approximately 193.3% over the corresponding six months ended 30 June 2005. With increasing revenue, profit and volume derived from piped gas sales, the Group continues to shift towards a utility business model.



Gas Pipeline Construction

The Group's gas pipeline construction business mainly includes the development and maintenance of piped gas stations and networks through which the Group provides direct connection of piped gas to end-user households and receives a connection fee. For the six months ended 30 June 2006, the Group recorded a turnover of approximately HK\$164,204,000 in connection fee, a decrease of approximately 17.6% over the same period last year. The amount accounted for approximately 13.2% of the Group's total turnover during the period, compared to approximately 20.8% a year ago.

The total number of connected households as at 30 June 2006 stood at 1,195,600 households, an increase of approximately 443,000 households from the end of last year, of which approximately 392,600 households were existing customers of the newly acquired subsidiaries and approximately 50,400 households were connected by the Group during the period. The number of new connections made by the Group during the period decreased by approximately 20.6% when compared to the 63,500 new households connected by the Group during the same period last year.

The decrease in connection fee income was caused by various factors, including the lower connection fee per connection from our projects in the northeastern part of the PRC when compared to the Sichuan area, the high penetration of urban city centers in some early acquired projects, the slowdown of local property development as a result of the latest wave of austerity measures, and the ongoing restructuring of a number of projects acquired in late 2005.

Acquisition of New Projects

The Group continued its focus on new project development in the first half of 2006 and obtained major breakthrough and achievement. On the piped gas front, the Group further strengthened its strategic position in Sichuan and the northeastern PRC region and increased its market penetration in Guangdong, the leading PRC province in terms of economic development. As at 31 December 2005, the Group had five acquisitions and two joint ventures awaiting completion and establishment, respectively. Of these, four acquisitions, namely Qiqihar Panva in the Heilongjiang Province, Tieling Panva and Chaoyang Panva in the Liaoning Province, and Beike Languang (the holding company of Shaoguan Panva and Qingyuan Panva) in the Guangdong Province were completed during 2006. Two joint ventures, namely, Jinan Panva LP Gas and Shandong Panva (a 48% associate company of the Group) in the Shandong Province, were established in 2006.

The Group continued to grow through acquiring new projects in the first half of 2006. In addition to acquiring piped gas projects in Fuxin, the Group also acquired a new LP Gas project in Hangzhou, leveraging the LP Gas market volatility and strengthening its market leader position in such business segment.

Hangzhou Project

In June 2006, the Group through its wholly-owned subsidiary Panriver Investments Company Limited (“Panriver Investments”) entered into an asset transfer agreement with Hangzhou Gas (Group) Company to acquire a 50% equity interest in Hangzhou LPG Co., Ltd (“Hangzhou LPG”) for a consideration of RMB25,000,000. Upon completion of the acquisition, Hangzhou LPG will be restructured as a sino-foreign joint venture company and renamed as Hangzhou Panva LPG Company Limited.

Located in the Yangtze Delta, Hangzhou is the capital city of Zhejiang Province enjoying a sub-provincial status. It is also renowned for its tourism, cultural and historical attractions. Hangzhou recorded a gross domestic product of RMB291.86 billion in 2005 ranking it the eighth among PRC cities in terms of economic output. As at 31 December 2004, the registered population of Hangzhou city amounted to 6,517,000, including an urban population of 4,016,000. The total temporary residents amounted to 1,876,000.

Hangzhou LPG is principally engaged in the wholesale and retail of LP Gas, the sale and maintenance of gas appliances, and the provision of other value-added services. In 2005, the company’s sales volume of LP Gas accounted for about 30% to 40% of the market share in Hangzhou.

Fuxin Project

In June 2006, Panriver Investments entered into an asset transfer agreement with Fuxin City Utilities and Housing Bureau to acquire a 90% equity interest in Fuxin Gas Co., Ltd. (“Fuxin Gas”). Panriver Investments will make a total investment of RMB74,330,000 and will be granted an exclusive right to operate gas businesses in Fuxin for 30 years.

Located in the northwestern part of Liaoning province, Fuxin city is 170 kilometres from Shenyang city. Fuxin covers an area of 10,355 square kilometres with a population of 1,930,000. Known as the “City of Coal and Power”, Fuxin is renowned for its rich resources and is one of the major energy bases in the PRC. It has a large number of coal mines each boasting an annual production of over 10 million tonnes and is home to major coal-fired electricity plants each carrying a capacity of 700,000 kilowatts. Apart from coal and charcoal, more than 400 kinds of metallic and non-metallic substances have been found in Fuxin. Major modern gold and agate refineries are established in the city. Fuxin is the production and processing base of agate in the PRC accounting for more than 50% of the country’s agate reserve. The city is also very rich in coal-bed methane (natural gas formed in coal mines), which provides an abundant supply for future development of city gas projects.

Fuxin Gas is principally engaged in the development, construction and operation of city piped gas project, and the sale of gas appliances, kitchen wares and household electronics. Subsequent to 30 June 2006, the Group has obtained the necessary approval for the Fuxin project.



Contingent Liabilities

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

Financial Position

As at 30 June 2006, the Group's cash and cash equivalents amounted to approximately HK\$953,607,000 which were mostly denominated in Renminbi, Hong Kong dollars and United States dollars. Of this amount, approximately HK\$180,118,000 were pledged as collateral for the two interest rate swaps.

As at 30 June 2006, the Group's bank loans and other borrowings amounted to approximately HK\$2,069,449,000, of which approximately HK\$1,926,183,000 arose from the issue of guaranteed senior notes in September 2004 and the Group's issue of 5-year convertible bonds in April 2003. The Group ended the period under review with a current ratio of approximately 1.3 times and a gearing ratio (net debt to equity) of approximately 58.4%. The strong financial position enables the Group to undertake new development projects.

Total assets pledged in securing these bank loans had a net book value of approximately HK\$24,875,000 as at 30 June 2006.

Prospects

The Group will continue to develop new projects with promising returns in large and medium-size PRC cities while being more prudent and selective in the assessment and decision making process. The Group will also take advantage of the market opportunities in the domestic LP Gas market and strategically expand its LP Gas business portfolio in selected large PRC cities. We believe given the strong demand in PRC energy market, every source of clean fuel could play an important role, and both natural gas and LP Gas market will exist and grow.

In the second half of 2006, the Group will continue to enhance the operation and integration of its enterprises. Apart from strengthening its relationships with up-stream suppliers, the Group will also focus on further improving its internal operation efficiency. In particular, the Group will further standardize the management and operation of its newly established joint ventures in order to generate higher returns for shareholders.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend (2005: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2006, the Group employed approximately 7,024 employees for its principal activities. The Group recognizes the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme adopted by the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30 June 2006.

CORPORATE GOVERNANCE

During the period, the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the Company confirmed that in respect of the six months ended 30 June 2006, all directors have complied with the required standard set out in the Model Code.



AUDIT COMMITTEE

The Company has an audit committee (“Audit Committee”) which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises three independent non-executive directors. The members of the Audit Committee are Messrs. CHEUNG Hon Kit, LI Xiao Ru and ZHANG Ke. The Audit Committee meets regularly with the Company’s senior management and the Company’s auditors to consider the Company’s financial reporting process, the effectiveness of internal controls, the audit process and risk management.

The interim results of the Group for the six months ended 30 June 2006 had not been audited, but had been reviewed by the Company’s auditors, Deloitte Touche Tohmatsu and the Audit Committee.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude to all staff for their diligence during the period.

By Order of the Board
CHEN Wei
Managing Director

Hong Kong, 26 September 2006

OTHER INFORMATION

Directors' and Chief Executives' Interests or Short Positions in Shares and underlying shares

At 30 June 2006, the interests and short positions of the Directors and chief executive of the Company in the shares of the Company (the "Share"), underlying Shares and debentures of the Company and any associated corporation of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required pursuant to: (a) divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) Section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

(a) Long Positions or short positions in Shares and Underlying Shares

Name of Directors	Capacity	Interest in Shares Long positions/ (short positions)		Total interest in Shares	Interest in underlying Shares pursuant to share options	Aggregate interest/ (short positions)	Approximate percentage of the Company's issued share capital as at 30.6.2006
		Personal interest	Corporate interest				
Chen Wei	Beneficial owner	2,160,000	—	2,160,000	8,040,000	10,200,000	1.08%
Cheung Hon Kit	Beneficial owner	—	—	—	800,000	800,000	0.08%
Ge Ming (Note 1)	Beneficial owner	—	—	—	800,000	800,000	0.08%
Li Fujun	Beneficial owner	—	—	—	2,600,000	2,600,000	0.28%
Li Xiao Ru	Beneficial owner	—	—	—	800,000	800,000	0.08%
Ou Yaping	Beneficial owner and interest in controlled corporations	— —	575,806,587 (19,230,769)	575,806,587 (19,230,769) (Note 2)	3,600,000 —	579,406,587 (19,230,769)	61.33% (2.04%)
Shen Lian Jin	Beneficial owner	—	—	—	2,300,000	2,300,000	0.24%
Tang Yui Man Francis	Beneficial owner	3,440,000	—	3,440,000	3,960,000	7,400,000	0.78%
Zhang Keyu	Beneficial owner	—	—	—	2,000,000	2,000,000	0.21%



Directors' and Chief Executives' Interests or Short Positions in Shares and underlying shares (Cont'd)

(a) Long Positions or short positions in Shares and Underlying Shares (Cont'd)

Note:

1. Mr. Ge Ming resigned as an independent non-executive director of the Company on 4 July 2006.
2. The 575,806,587 Shares represent the aggregate of (i) 401,233,462 Shares held by Kenson Investment Limited ("Kenson") and 169,491,525 Shares held by Supreme All Investments Limited ("Supreme All"), both wholly-owned subsidiaries of Enerchina Holdings Limited ("Enerchina"); and (ii) 5,081,600 Shares held by Asia Pacific Promotion Limited ("Asia Pacific"). As approximately 45.39% of the issued share capital of Enerchina were held by Sinolink Worldwide Holdings Limited ("Sinolink") as at 30 June 2006, approximately 48.51% interests of Sinolink are held by Asia Pacific and Mr. Ou is the sole beneficial owner of Asia Pacific, Mr. Ou is deemed under the SFO to be interested in such 575,806,587 Shares.

Kenson is under an obligation to transfer 19,230,769 Shares to Hutchison International Limited ("Hutchison International") upon full exchange of a HK\$62,500,000 exchangeable redeemable note (the "Note") held by Hutchison International in accordance with the terms and conditions of the Note.

Details of the directors' interests in share options granted by the Company are set out under the heading "Directors' rights to acquire Shares".

Directors' and Chief Executives' Interests or Short Positions in Shares and underlying shares (Cont'd)

(b) Directors' and Chief Executives' interests and short positions in shares and underlying shares in associated corporations

Name of Directors	Name of associated corporations	Capacity	Interest in shares			Total interest in shares	Interest in underlying shares pursuant to share options	Aggregate interest	Approximate percentage of the issued share capital of the associated corporation as at 30.6.2006
			Personal interest	Corporate interest	Family interest				
Chen Wei	Sinolink	Beneficial owner	3,600,000	—	—	3,600,000	8,400,000	12,000,000	0.42%
Ou Yaping	Asia Pacific	Beneficial owner	2	—	—	2	—	2	100.00%
	Enerchina	Beneficial owner, interest in controlled corporations and joint interest	—	2,882,792,295 (Note 1)	3,237,960	2,886,030,255	2,288,000	2,888,318,255	59.71%
	Sinolink	Interest in controlled corporations and joint interest	—	1,384,514,000 (Note 2)	6,475,920	1,390,989,920	—	1,390,989,920	48.74%
Shen Lian Jin	Sinolink	Beneficial owner	—	—	—	—	2,100,000	2,100,000	0.07%
Tang Yui Man Francis	Enerchina	Beneficial owner	—	—	—	—	22,880,000	22,880,000	0.47%
	Sinolink	Beneficial owner	5,700,000	—	—	5,700,000	13,300,000	19,000,000	0.67%
Zhang Keyu	Sinolink	Beneficial owner	—	—	—	—	2,000,000	2,000,000	0.07%



Directors' and Chief Executives' Interests or Short Positions in Shares and underlying shares (Cont'd)

(b) Directors' and Chief Executives' interests and short positions in shares and underlying shares in associated corporations (Cont'd)

Notes:

1. The 2,882,792,295 shares in Enerchina represent the aggregate of: (i) 1,971,690,942 shares held by Sinolink (Mr. Ou Yaping through his wholly-owned company, Asia Pacific holds 48.51% of the existing issued share capital of Sinolink and is therefore deemed to be interested in all shares in which Sinolink is interested); (ii) the 223,990,353 shares held by Smart Orient Investments Limited ("Smart Orient"), a wholly-owned subsidiary of the Sinolink; and (iii) 687,111,000 shares held by Asia Pacific directly. Mr. Ou Yaping is deemed to be interested in these 2,882,792,295 shares of Enerchina under the SFO.
2. These shares are held by Asia Pacific, a company incorporated in the British Virgin Islands, which is legally and beneficially owned by Mr. Ou Yaping, Chairman of the Company.

Details of the directors' interests in share options granted by the associated corporations are set out under the heading "Directors' rights to acquire Shares".

Directors' Rights to Acquire Shares

(a) Interest in options to subscribe for Shares

Pursuant to the Company's share option schemes, the Company has granted to certain directors of the Company options to subscribe the Shares, details of which as at 30 June 2006 were as follows:

Name of Directors	Date of grant	Exercisable period	Exercise price HK\$	Number of Shares subject to outstanding options as at 1.1.2006 and 30.6.2006	Approximate percentage of the Company's issued share capital as at 30.6.2006
Chen Wei	04.04.2001	01.01.2003 - 03.04.2011	0.475	1,800,000	0.19%
	04.04.2001	01.01.2004 - 03.04.2011	0.475	1,800,000	0.19%
	13.11.2001	13.11.2002 - 13.02.2007	0.940	1,440,000	0.15%
	19.11.2004	31.12.2005 - 30.03.2011	3.500	900,000	0.10%
	19.11.2004	31.12.2006 - 30.03.2011	3.500	900,000	0.10%
	19.11.2004	31.12.2007 - 30.03.2011	3.500	1,200,000	0.13%
Cheung Hon Kit	19.11.2004	31.12.2005 - 30.03.2011	3.500	240,000	0.03%
	19.11.2004	31.12.2006 - 30.03.2011	3.500	240,000	0.03%
	19.11.2004	31.12.2007 - 30.03.2011	3.500	320,000	0.03%
Ge Ming	19.11.2004	31.12.2005 - 30.03.2011	3.500	240,000	0.03%
	19.11.2004	31.12.2006 - 30.03.2011	3.500	240,000	0.03%
	19.11.2004	31.12.2007 - 30.03.2011	3.500	320,000	0.03%
Li Fujun	04.04.2001	01.01.2003 - 03.04.2011	0.475	920,000	0.10%
	04.04.2001	01.01.2004 - 03.04.2011	0.475	1,200,000	0.13%
	13.11.2001	13.11.2002 - 13.02.2007	0.940	480,000	0.05%
Li Xiao Ru	19.11.2004	31.12.2005 - 30.03.2011	3.500	240,000	0.03%
	19.11.2004	31.12.2006 - 30.03.2011	3.500	240,000	0.03%
	19.11.2004	31.12.2007 - 30.03.2011	3.500	320,000	0.03%
Ou Yaping	04.04.2001	01.01.2003 - 03.04.2011	0.475	1,800,000	0.19%
	04.04.2001	01.01.2004 - 03.04.2011	0.475	1,800,000	0.19%
Shen Lian Jin	04.04.2001	01.01.2004 - 03.04.2011	0.475	300,000	0.03%
	19.11.2004	31.12.2005 - 30.03.2011	3.500	600,000	0.06%
	19.11.2004	31.12.2006 - 30.03.2011	3.500	600,000	0.06%
	19.11.2004	31.12.2007 - 30.03.2011	3.500	800,000	0.08%



Directors' Rights to Acquire Shares (Cont'd)

(a) Interest in options to subscribe for Shares (Cont'd)

Name of Directors	Date of grant	Exercisable period	Exercise price HK\$	Number of Shares subject to outstanding options as at 1.1.2006 and 30.6.2006	Approximate percentage of the Company's issued share capital as at 30.6.2006
Tang Yui Man	13.11.2001	13.11.2002 - 13.02.2007	0.940	960,000	0.10%
Francis	19.11.2004	31.12.2005 - 30.03.2011	3.500	900,000	0.10%
	19.11.2004	31.12.2006 - 30.03.2011	3.500	900,000	0.10%
	19.11.2004	31.12.2007 - 30.03.2011	3.500	1,200,000	0.13%
Zhang Keyu	19.11.2004	31.12.2005 - 30.03.2011	3.500	600,000	0.06%
	19.11.2004	31.12.2006 - 30.03.2011	3.500	600,000	0.06%
	19.11.2004	31.12.2007 - 30.03.2011	3.500	800,000	0.08%

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. During the period, no option was granted to or exercised by the Directors and no options held by the Directors were lapsed or cancelled.
3. These options represent personal interest held by the Directors as beneficial owners.
4. Mr. Ge Ming resigned as an independent non-executive director of the Company on 4 July 2006.

Directors' Rights to Acquire Shares (Cont'd)
(b) Interest in options to subscribe for shares of associated corporations

Name of Directors	Name of associated corporations	Date of grant	Exercise period	Exercise price HK\$	Number of shares	Number of shares	Approximate	
					subject to outstanding options at 1.1.2006	subject to outstanding options as at 30.6.2006	percentage of the issued share capital of the associated corporations at 30.6.2006	
Chen Wei	Sinolink	13.01.2005	31.12.2005 – 24.05.2012	1.126	3,600,000	—	—	
		13.01.2005	30.06.2006 – 24.05.2012	1.126	3,600,000	3,600,000	0.13%	
		13.01.2005	31.12.2006 – 24.05.2012	1.126	4,800,000	4,800,000	0.17%	
Ou Yaping	Enerchina	09.06.2004	09.06.2004 – 08.06.2014	0.440	2,288,000	2,288,000	0.05%	
Shen Lian Jin	Sinolink	13.01.2005	31.12.2005 – 24.05.2012	1.126	900,000	—	—	
		13.01.2005	30.06.2006 – 24.05.2012	1.126	900,000	900,000	0.03%	
		13.01.2005	31.12.2006 – 24.05.2012	1.126	1,200,000	1,200,000	0.04%	
Tang Yui Man Francis	Enerchina	09.06.2004	09.06.2004 – 08.06.2014	0.440	22,880,000	22,880,000	0.47%	
		Sinolink	13.01.2005	31.12.2005 – 24.05.2012	1.126	5,700,000	—	—
			13.01.2005	30.06.2006 – 24.05.2012	1.126	5,700,000	5,700,000	0.20%
Zhang Keyu	Sinolink	13.01.2005	31.12.2005 – 24.05.2012	1.126	600,000	600,000	0.02%	
		13.01.2005	30.06.2006 – 24.05.2012	1.126	600,000	600,000	0.02%	
		13.01.2005	31.12.2006 – 24.05.2012	1.126	800,000	800,000	0.03%	

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. These options of associated corporations represent personal interest held by the Directors as beneficial owners.

Save as disclosed above, none of the Directors, chief executives nor their respective associates (as defined in the Listing Rules) had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations required to be disclosed pursuant to the SFO.



Arrangements to Purchase Shares or Debentures

Other than the share option schemes of the Group as disclosed herein, at no time during the period was the Company, its holdings company, or any or its subsidiaries or fellow subsidiaries, party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of share in, or debenture of, the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

Substantial Shareholders

At 30 June 2006, the register of substantial shareholders (other than the Director or chief executive of the Company as disclosed above) maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of the Directors, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

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

Name of Shareholders	Capacity	Interest in Shares Long positions	Interest in underlying Shares/ (short positions) pursuant to the Note	Aggregate interest/ (short positions)	Approximate percentage of the Company's issued share capital as at 30.6.2006
Asia Pacific	Interest of controlled corporations and beneficial owner	575,806,587 —	— (19,230,769)	575,806,587 (19,230,769) (Note 1)	60.95% (2.04%)
Sinolink	Interest of controlled corporations	570,724,987 —	— (19,230,769)	570,724,987 (19,230,769) (Note 1)	60.42% (2.04%)
Enerchina	Interest of controlled corporations	570,724,987 —	— (19,230,769)	570,724,987 (19,230,769) (Note 1)	60.42% (2.04%)
Kenson	Beneficial owner	401,233,462 —	— (19,230,769)	401,233,462 (19,230,769) (Note 1 & 2)	42.47% (2.04%)
Value Partners Limited	Investment manager	60,000,000	—	60,000,000 (Note 3)	6.35%

Substantial Shareholders (Cont'd)

Name of Shareholders	Capacity	Interest in Shares Long positions	Interest in underlying Shares/ (short positions) pursuant to the Note	Aggregate interest/ (short positions)	Approximate percentage of the Company's issued share capital as at 30.6.2006
Cheah Cheng Hye	Interest of controlled corporation	60,000,000	—	60,000,000 (Note 3)	6.35%
Hutchison International Limited	Beneficial owner	38,461,538	19,230,769	57,692,307 (Note 4)	6.11%
Hutchison Whampoa Limited	Interest of controlled corporation	38,461,538	19,230,769	57,692,307 (Note 4)	6.11%
Cheung Kong (Holdings) Limited	Interest of controlled corporation	38,461,538	19,230,769	57,692,307 (Note 5)	6.11%
Li Ka-shing	Interest of controlled corporation and as founder of discretionary trusts	38,461,538	19,230,769	57,692,307 (Note 5)	6.11%
Li Ka-Shing Unity Trustee Company Limited	Trustee	38,461,538	19,230,769	57,692,307 (Note 5)	6.11%
Li Ka-Shing Unity Trustcorp Limited	Trustee and beneficiary of a trust	38,461,538	19,230,769	57,692,307 (Note 5)	6.11%
Li Ka-Shing Unity Trustee Corporation Limited	Trustee and beneficiary of a trust	38,461,538	19,230,769	57,692,307 (Note 5)	6.11%



Substantial Shareholders (Cont'd)

Notes:

1. Enerchina is interested in the entire issued share capital of Kenson and Supreme All. Enerchina was owned as to approximately 45.39% by Sinolink as at 30 June 2006 and Sinolink is in turn owned as approximately 48.51% by Asia Pacific. Therefore, by virtue of Part XV of the SFO, the 401,233,462 Shares and 169,491,525 Shares in which Kenson and Supreme All are interested duplicate with interest in Shares held by Enerchina, Sinolink and Asia Pacific. In addition, Asia Pacific is directly interested in 5,081,600 Shares, representing approximately 0.54% of the entire issued share capital of the Company. Mr. Ou Yaping is the sole beneficial shareholder of Asia Pacific. Therefore, Mr. Ou is deemed under Part XV of the SFO to have an interest in the Shares held by Kenson, Supreme All and Asia Pacific.
2. Kenson is under an obligation to transfer 19,230,769 Shares to Hutchison International upon full exchange of the Note held by Hutchison International in accordance with the terms and conditions of the Note.
3. These 60,000,000 Shares are held by Value Partners Limited, a company which is held by 32.77% by Mr. Cheah Cheng Hye. Accordingly, Mr. Cheah Cheng Hye is deemed to be interested in these Shares.
4. Hutchison International is interested in 38,461,538 Shares and in the Note which is exchangeable into existing Shares held by Kenson at the exchange price of HK\$3.25 (subject to adjustment) per Share on or before 1 November 2006. Upon full exchange of the Note at the initial exchange price, Hutchison International shall be entitled to 19,230,769 Shares and is accordingly interested in an aggregate of 57,692,307 Shares.

Hutchison International is a wholly owned subsidiary of Hutchison Whampoa Limited ("Hutchison Whampoa"). By virtue of Part XV of the SFO, Hutchison Whampoa is deemed to be interested in 57,692,307 Shares.

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

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

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

By virtue of the SFO, each of Mr. Li Ka-shing, being the settlor and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TDT1, TDT2, TUT1 and Cheung Kong is deemed to be interested in the 38,461,538 Shares and in the Note representing 19,230,769 underlying Shares both held by Hutchison International.

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 Division 2 and 3 of Part XV of the SFO and the Listing Rules.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 30 June 2006, 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.

Share Option Schemes

The Company operates three share option schemes, the Pre-GEM Listing Scheme, 2001 GEM Listing Scheme and New Scheme under which the Board may, at its discretion, offer any employee (including any executive director) of the Company or its subsidiaries options to subscribe for Shares subject to the terms and conditions stipulated in the three schemes. The Pre-GEM Listing Scheme and the 2001 GEM Listing Scheme were approved by the shareholder on 4 April 2001 and terminated on 20 April 2001 and 26 April 2005 respectively. No further options will be offered or granted after that dates. In respect of share options already granted and outstanding, provisions of the Pre-GEM Listing Scheme and 2001 GEM Listing Scheme shall remain in full force and effect. The New Scheme was approved by the shareholders on 28 November 2005 and have a life of 10 years until 27 November 2015.

Details of specific categories of share options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK\$
Pre-GEM Listing Scheme:			
Pre-GEM Options	04.04.2001	01.01.2003 - 03.04.2011	0.475
	04.04.2001	01.01.2004 - 03.04.2011	0.475
2001 GEM Listing Scheme:			
2001 GEM Options	13.11.2001	13.02.2002 - 13.02.2007	0.940
	13.11.2001	13.05.2002 - 13.02.2007	0.940
	13.11.2001	13.11.2002 - 13.02.2007	0.940
2004 GEM Options	19.11.2004	31.12.2005 - 30.03.2011	3.500
	19.11.2004	31.12.2006 - 30.03.2011	3.500
	19.11.2004	31.12.2007 - 30.03.2011	3.500



Share Options (Cont'd)

Movements of the Pre-GEM Options which have been granted under the Pre-GEM Listing Scheme and 2001 GEM Options and 2004 GEM Options which have been granted under the 2001 GEM Listing Scheme during the period are set out below:

	Option types	Outstanding at 1.1.2006	Exercised during the period	Outstanding at 30.6.2006
Directors				
Chen Wei	Pre-GEM Options	3,600,000	—	3,600,000
	2001 GEM Options	1,440,000	—	1,440,000
	2004 GEM Options	3,000,000	—	3,000,000
Cheung Hon Kit	2004 GEM Options	800,000	—	800,000
Ge Ming	2004 GEM Options	800,000	—	800,000
Li Fujun	Pre-GEM Options	2,120,000		2,120,000
	2001 GEM Options	480,000	—	480,000
Li Xiao Ru	2004 GEM Options	800,000	—	800,000
Ou Yaping	Pre-GEM Options	3,600,000	—	3,600,000
	2004 GEM Options	300,000	—	300,000
Shen Lian Jin	Pre-GEM Options	300,000	—	300,000
	2004 GEM Options	2,000,000	—	2,000,000
Tang Yui Man Francis	2001 GEM Options	960,000	—	960,000
	2004 GEM Options	3,000,000	—	3,000,000
Zhang Keyu	2004 Options	2,000,000	—	2,000,000
Total for Directors		<u>24,900,000</u>	<u>—</u>	<u>24,900,000</u>
Contracted employees in aggregate	Pre-GEM Options	2,350,000	(590,000)	1,760,000
	2001 GEM Options	3,919,000	(1,649,000)	2,270,000
	2004 GEM Options	8,800,000	(180,000)	8,620,000
Total for Employees		<u>15,069,000</u>	<u>(2,419,000)</u>	<u>12,650,000</u>
All categories		<u><u>39,969,000</u></u>	<u><u>(2,419,000)</u></u>	<u><u>37,550,000</u></u>

Share Options (Cont'd)

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. During the period, no option was granted, lapsed or cancelled under all share option schemes.
3. During the period, 2,419,000 options were exercised under the share option scheme. The weighted average share price at the date of exercise of the options was at a range of HK\$4.016 to HK\$4.019.



Deloitte.

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INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF PANVA GAS HOLDINGS LIMITED

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 24 to 40.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with the Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2006.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 September 2006

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	NOTES	Six months ended 30 June	
		2006 HK\$'000 (unaudited)	2005 HK\$'000 (audited)
Turnover	3	1,243,931	958,053
Cost of sales		(1,028,686)	(733,017)
Gross profit		215,245	225,036
Other income		33,497	28,592
Distribution expenses		(40,269)	(22,901)
Administrative expenses		(98,378)	(60,160)
Other expenses		(1,701)	(823)
Discount on acquisition of subsidiaries and additional interests in a subsidiary		12,998	—
Impairment loss recognised in respect of available-for-sale investments		(967)	—
Share of results of associates		4,225	28,561
Changes in fair value of derivative financial instruments		(181,608)	(4,833)
Finance costs	4	(126,765)	(33,027)
(Loss) profit before taxation	5	(183,723)	160,445
Taxation	6	(6,910)	(16,055)
(Loss) profit for the period		<u>(190,633)</u>	<u>144,390</u>
Attributable to:			
Equity holders of the Company		(221,139)	128,249
Minority interests		30,506	16,141
		<u>(190,633)</u>	<u>144,390</u>
		<i>HK cents</i>	<i>HK cents</i>
(Loss) earnings per share	7		
– Basic		<u>(23.41)</u>	<u>13.61</u>
– Diluted		<u>—</u>	<u>12.75</u>



CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2006

	NOTES	30.6.2006 <i>HK\$'000</i> (unaudited)	31.12.2005 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	8	2,256,530	1,675,834
Prepaid lease payments		121,887	83,548
Intangible assets		45,521	8,969
Goodwill		87,176	55,412
Interests in associates	9	649,917	465,734
Available-for-sale investments		170,179	189,806
Pledged bank deposits		180,118	202,916
		<u>3,511,328</u>	<u>2,682,219</u>
Current assets			
Inventories		91,075	66,865
Trade receivables	10	414,402	493,235
Other receivables, deposits and prepayments		448,656	690,298
Prepaid lease payments		3,976	2,717
Bank balances and cash		773,489	986,411
		<u>1,731,598</u>	<u>2,239,526</u>
Current liabilities			
Trade payables	11	235,942	246,955
Other payables and accrued charges		380,507	196,984
Taxation		73,080	72,134
Amounts due to minority shareholders		38,290	30,343
Derivative financial instruments	12	523,298	327,680
Borrowings – amount due within one year	13	64,423	86,770
		<u>1,315,540</u>	<u>960,866</u>
Net current assets		<u>416,058</u>	<u>1,278,660</u>
Total assets less current liabilities		<u>3,927,386</u>	<u>3,960,879</u>

CONDENSED CONSOLIDATED BALANCE SHEET (Cont'd)

AT 30 JUNE 2006

	NOTES	30.6.2006 <i>HK\$'000</i> (unaudited)	31.12.2005 <i>HK\$'000</i> (audited)
Non-current liabilities			
Borrowings – amount due after one year	13	2,005,026	1,928,535
Deferred taxation		12,266	—
		2,017,292	1,928,535
Net assets		1,910,094	2,032,344
Capital and reserves			
Share capital	14	94,467	94,225
Reserves		1,333,695	1,548,501
Equity attributable to equity holders of the Company		1,428,162	1,642,726
Minority interests		481,932	389,618
Total equity		1,910,094	2,032,344



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE SIX MONTHS ENDED 30 JUNE 2006

Attributable to equity holders of the Company

	Attributable to equity holders of the Company										
	Share capital	Share premium	Exchange reserve	Share option reserve	Capital reserve	General reserves	Convertible bonds reserve	Retained earnings	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2005	94,225	722,834	(4,456)	2,733	1,101	5,558	48,350	550,760	1,421,105	333,074	1,754,179
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	49,715	—	—	—	—	—	49,715	9,387	59,102
Profit for the year	—	—	—	—	—	—	—	155,777	155,777	50,156	205,933
Total recognised income and expense for the year	—	—	49,715	—	—	—	—	155,777	205,492	59,543	265,035
Recognition of equity-settled share based payments	—	—	—	16,129	—	—	—	—	16,129	—	16,129
Transfer	—	—	—	—	—	6,276	—	(6,276)	—	—	—
Acquired on acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	24,096	24,096
Reduction in minority interests on acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	(21,237)	(21,237)
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(5,858)	(5,858)
At 31 December 2005 and 1 January 2006	94,225	722,834	45,259	18,862	1,101	11,834	48,350	700,261	1,642,726	389,618	2,032,344
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	(123)	—	—	—	—	—	(123)	—	(123)
Loss for the period	—	—	—	—	—	—	—	(221,139)	(221,139)	30,506	(190,633)
Total recognised income and expense for the period	—	—	(123)	—	—	—	—	(221,139)	(221,262)	30,506	(190,756)
Recognition of equity-settled share based payments	—	—	—	4,238	—	—	—	—	4,238	—	4,238
Transfer	—	—	—	—	—	2,107	—	(2,107)	—	—	—
Acquired on acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	70,658	70,658
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	—	5,758	5,758
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(10,109)	(10,109)
Exercise of share options	242	2,218	—	—	—	—	—	—	2,460	—	2,460
Reduction in minority interests on acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	(4,499)	(4,499)
At 30 June 2006	94,467	725,052	45,136	23,100	1,101	13,941	48,350	477,015	1,428,162	481,932	1,910,094

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)
 FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Attributable to equity holders of the Company										
	Share capital	Share premium	Exchange reserve	Share option reserve	Capital reserve	General reserves	Convertible bonds reserve	Retained earnings	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)	(audited)
At 1 January 2005	94,225	722,834	(4,456)	2,733	1,101	5,558	48,350	550,760	1,421,105	333,074	1,754,179
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	(1,144)	—	—	—	—	—	(1,144)	—	(1,144)
Profit for the period	—	—	—	—	—	—	—	128,249	128,249	16,141	144,390
Total recognised income and expense for the period	—	—	(1,144)	—	—	—	—	128,249	127,105	16,141	143,246
Recognition of equity-settled share based payments	—	—	—	10,038	—	—	—	—	10,038	—	10,038
Transfer	—	—	—	—	—	257	—	(257)	—	—	—
Acquired on acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	7,488	7,488
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	(1,088)	(1,088)
At 30 June 2005	94,225	722,834	(5,600)	12,771	1,101	5,815	48,350	678,752	1,558,248	355,615	1,913,863



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Six months ended 30.6.2006 HK\$'000 (unaudited)	Six months ended 30.6.2005 HK\$'000 (audited)
Net cash generated from operating activities	<u>184,206</u>	<u>38,061</u>
Net cash used in investing activities		
Cash paid for acquisition of property, plant and equipment	(180,198)	(180,383)
Cash paid for the acquisition of subsidiaries (net of cash and cash equivalents acquired)	(189,722)	(45,458)
Other investing cash flows	51,447	(3,935)
Cash paid for the acquisition of an associate	—	(307,951)
Cash paid for acquisition of available-for-sale investments	—	(229,546)
	<u>(318,473)</u>	<u>(767,273)</u>
Net cash used in financing activities		
New bank and other loans raised	71,234	—
Repayments of bank and other loans	(147,858)	(20,890)
Other financing cash flows	(1,892)	(1,088)
	<u>(78,516)</u>	<u>(21,978)</u>
Net decrease in cash and cash equivalents	(212,783)	(751,190)
Cash and cash equivalents at beginning of the period	986,411	2,096,553
Effect of foreign exchange rate changes	(139)	(1,144)
Cash and cash equivalents at end of the period, representing bank balances and cash	<u><u>773,489</u></u>	<u><u>1,344,219</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

1. BASIS OF PREPARATION

The Company is a public limited company incorporated in the Cayman Islands on 16 November 2000 under the Companies Law (Revised) Chapter 22 of the Cayman Islands as an exempted company with its shares listed on the Stock Exchange.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sale and distribution of LP Gas and natural gas (together "Gas Fuel") in the PRC including the sale of LP Gas in bulk and in cylinders, the provision of piped LP Gas and natural gas, construction of gas pipelines, the operation of city gas pipeline network, the operation of Gas Fuel automobile refilling stations, and the sale of LP Gas and natural gas household appliances.

The condensed consolidated financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Listing Rules and with HKAS 34 Interim Financial Reporting.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), amendments of Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the Group's results for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC) – INT 8	Scope of HKFRS 2 ³
HK(IFRIC) – INT 9	Reassessment of embedded derivatives ⁴

¹ Effective for accounting periods beginning on or after 1 January 2007.

² Effective for accounting periods beginning on or after 1 March 2006.

³ Effective for accounting periods beginning on or after 1 May 2006.

⁴ Effective for accounting periods beginning on or after 1 June 2006.



3. SEGMENT INFORMATION

Business segments

For management purposes, the Group currently organises its operations into two business segments, namely sale and distribution of gas fuel and related products, and gas pipeline construction. The principal activities of the business segments are as follows:

- | | |
|---|--|
| Sales and distribution of gas fuel and related products | – Sale of LP Gas in bulk and in cylinders, provision of piped LP Gas and nature gas, and sale of LP Gas and natural gas household appliances |
| Gas pipeline construction | – Construction of gas pipelines |

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas pipeline construction <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Six months ended 30 June 2006			
REVENUE			
External	<u>1,079,727</u>	<u>164,204</u>	<u>1,243,931</u>
Segment results	<u>51,192</u>	<u>49,413</u>	100,605
Other income			33,497
Unallocated corporate expenses			(25,708)
Discount on acquisition of subsidiaries and additional interests of a subsidiary			12,998
Impairment loss recognised in respect of available-for-sale investments			(967)
Share of results of associates			4,225
Changes in fair value of derivative financial instruments			(181,608)
Finance costs			<u>(126,765)</u>
Loss before taxation			(183,723)
Taxation			(6,910)
Loss for the period			<u><u>(190,633)</u></u>

3. SEGMENT INFORMATION (Cont'd)

Business segments (Cont'd)

	Sale and distribution of gas fuel and related products <i>HK\$'000</i>	Gas pipeline construction <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Six months ended 30 June 2005			
REVENUE			
External	758,856	199,197	958,053
Segment results	<u>36,380</u>	<u>115,902</u>	152,282
Other income			28,592
Unallocated corporate expenses			(11,130)
Share of results of associates			28,561
Changes in fair value of derivative financial instruments			(4,833)
Finance costs			(33,027)
Profit before taxation			160,445
Taxation			(16,055)
Profit for the period			<u>144,390</u>

No geographical segment analysis is shown as the Group's operating businesses are solely carried out in the PRC.

4. FINANCE COSTS

	Six months ended 30 June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
– bank and other borrowings wholly repayable within five years	1,345	3,271
– bank and other borrowings not wholly repayable within five years	1,384	—
– convertible bonds	11,875	6,645
– senior notes	<u>65,903</u>	66,849
	80,507	76,765
Net interest expense (income) on interest rate swaps	<u>46,118</u>	(43,806)
	126,625	32,959
Bank charges	140	68
	<u>126,765</u>	<u>33,027</u>



5. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
(Loss) profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	560	28
Depreciation of property, plant and equipment	49,575	25,806
Share of tax of associates (included in share of results of associates)	1,802	5,336
and after crediting:		
Discount on acquisition of subsidiaries	8,499	—
Discount on additional interest in a subsidiary	4,499	—
Interest income	15,441	19,552
Dividend income	11,676	680
Gain on disposal of available for sale investments	3,845	1,952
	<u>3,845</u>	<u>1,952</u>

6. TAXATION

No provision for Hong Kong Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

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

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are entitled to exemption from PRC enterprise income tax for the first two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC enterprise income tax for the following three years. The reduced tax rate for the relief period is ranging from 12% to 16.5%. PRC enterprise income tax for the period has been provided for after taking these tax incentives into account.

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
(Loss) earnings for the purposes of basic earnings per share, being (loss) profit for the period attributable to equity holders of the Company	<u>(221,139)</u>	128,249
Effect of dilutive potential shares:		
Effective interest on convertible bonds		<u>6,645</u>
(Loss) earnings for the purposes of diluted (loss) earnings per share		<u>134,894</u>
	No. of shares	
	'000	'000
Weighted average number of shares for the purposes of basic earnings per share	<u>944,567</u>	942,251
Effect of dilutive potential shares:		
Share options		17,671
Convertible bonds		<u>97,851</u>
Weighted average number of shares for the purposes of diluted earnings per share		<u>1,057,773</u>

No diluted loss per share has been presented for the period as the share options and convertible bonds granted by the Company are anti-dilutive.

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$180,198,000 (2005: HK\$180,383,000) on acquisition of property, plant and equipment.

9. INTERESTS IN ASSOCIATES

During the period, the Group subscribed to 48% equity interest in Shangdong Panva Gas Company Limited at a total consideration of HK\$184,261,000 to operate the piped natural gas businesses in the Jiancheng District, the western part of Jinan city, Shangdong province of the PRC.



10. TRADE RECEIVABLES

The Group has a policy of allowing an average credit period ranging from 0 to 90 days to its customers.

The following is an aged analysis of trade receivables at the reporting date:

	30.6.2006	31.12.2005
	HK\$'000	HK\$'000
0 to 90 days	392,073	487,560
91 to 180 days	2,384	696
181 to 360 days	14,164	1,815
Over 360 days	5,781	3,164
	<u>414,402</u>	<u>493,235</u>

11. TRADE PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	30.6.2006	31.12.2005
	HK\$'000	HK\$'000
0 to 90 days	177,494	233,753
91 to 180 days	7,412	4,266
181 to 360 days	30,615	2,737
Over 360 days	20,421	6,199
	<u>235,942</u>	<u>246,955</u>

12. DERIVATIVE FINANCIAL INSTRUMENTS

	30.6.2006	31.12.2005
	HK\$'000	HK\$'000
Derivatives under hedge accounting		
Fair value hedges – interest rate swaps	<u>523,298</u>	<u>327,680</u>

12. DERIVATIVE FINANCIAL INSTRUMENTS (Cont'd)

Fair value hedges

The Group entered interest rate swaps contracts to manage its interest cost. Major terms of the interest rate swaps are set out below:

Notional amount	Maturity	Swaps
US\$200,000,000	22 September 2011	From 8.25% to MAX (USD LIBOR BBA + 3.72%, 12%)
US\$200,000,000	22 September 2011	From (0, 7.12 x Spread rate* + 0.01%) to 8.25%

* Where:

“Spread Rate” means the rate (expressed as a percentage per annum) calculated in accordance with the following formula:

US\$ 30 year CMS – US\$ 2 year CMS

“US\$ 30 year CMS” means 30-year US\$-ISDA-Swap Rate, as such rate appears on the Reuters Screen ISDAFIX1 Page as of or around 11:00 a.m., London time, on the day that is two (2) Banking Days preceding the commencement of the relevant Party A calculation period; and

“US\$ 2 year CMS” means 2-year US\$-ISDA-Swap Rate, as such rate appears on the Reuters Screen ISDAFIX1 Page as of or around 11:00 a.m., London time, on the day that is two (2) Banking Days preceding the commencement of the relevant Party A calculation period.

The fair value of swaps entered as at 30 June 2006 is estimated at HK\$523,298,000 (31.12.2005: HK\$327,680,000). These amounts are based on market prices quoted from financial institutions for equivalent instruments at the balance sheet date. Changes in the fair value of interest rate swaps during the six months ended 30 June 2006 of HK\$181,608,000 (1.1.2005 to 30.6.2005: HK\$4,833,000) have been recognised to the consolidated income statement.



13. BORROWINGS

	30.6.2006	31.12.2005
	HK\$'000	HK\$'000
Bank loans – secured	15,941	20,163
Other loans – secured	11,756	—
Other loans – unsecured	115,569	79,100
Convertible bonds (<i>Note a</i>)	370,292	362,116
Guaranteed senior notes (<i>Note b</i>)	1,555,891	1,553,926
	<u>2,069,449</u>	<u>2,015,305</u>

The maturity of the above borrowings is as follows:

On demand or within one year	64,423	86,770
More than one year but not exceeding two years	6,980	48,389
More than two years but not exceeding five years	388,366	360,690
More than five years	1,609,680	1,519,456
	2,069,449	2,015,305
Less: Amount due within one year shown under current liabilities	(64,423)	(86,770)
Amount due after one year	<u>2,005,026</u>	<u>1,928,535</u>

Notes:

- (a) The convertible bonds were issued on 23 April 2003. The bonds are convertible into shares of the Company on or after 7 June 2003 and up to 9 April 2008. The conversion price at which each share shall be issued upon conversion was HK\$3.8043 per share (adjusted to account for the effect of the issue of additional new shares). The outstanding unconverted principal amount of the bonds will be redeemed on 23 April 2008 at 108.119%. Interest of 2% is payable per annum.
- (b) The Group issued US\$200,000,000 8.25% guaranteed senior notes due 2011 (the "Guaranteed Senior Notes") on 23 September 2004. The Guaranteed Senior Notes are listed on the Singapore Exchange Securities Trading Limited. The Guaranteed Senior Notes bear interest at 8.25% per annum, payable semi-annually in arrears. At any time prior to 23 September 2007, the Company may redeem up to 35% of the principal amount of the Guaranteed Senior Notes with the net cash proceeds of one or more sales of the Company's shares in an offering at a redemption price of 108.25% of the principal amount of the Guaranteed Senior Notes, plus accrued and unpaid interest, if any, to the redemption date.

14. SHARE CAPITAL

	30.6.2005 <i>HK\$'000</i>	31.12.2005 <i>HK\$'000</i>
Authorised:		
2,000,000,000 shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
944,669,891 (2005: 942,250,891) shares of HK\$0.10 each	<u>94,467</u>	<u>94,225</u>

A summary of the movement in the issued capital of the Company is as follows:

	<i>No. of shares</i>	<i>HK\$'000</i>
At 1 January 2006	942,250,891	94,225
Issue of shares on exercise of share options	<u>2,419,000</u>	<u>242</u>
At 30 June 2006	<u>944,669,891</u>	<u>94,467</u>

15. CAPITAL COMMITMENTS

	30.6.2005 <i>HK\$'000</i>	31.12.2005 <i>HK\$'000</i>
Capital expenditure contracted for but not provided in the financial statements in respect of unpaid capital contribution of investment projects	<u>158,687</u>	<u>146,533</u>

16. INTERIM DIVIDEND

The Board does not declare an interim dividend for the six months ended 30 June 2006.

17. ACQUISITION OF SUBSIDIARIES

On 1 January 2006, the Group acquired 61.67%, 90% and 80% equity interest in Qiqihar Panva Gas Co. Ltd. ("Qiqihar"), Chaoyang Panva Gas Co. Ltd. and Tieling Panva Gas Co. Ltd. at an aggregated consideration of HK\$182,583,000. On 1 March 2006, the Group acquired 100% equity interest in 深圳北科兰光能源系统技术有限公司 ("Beike Lan Guang Group") at a consideration of HK\$119,770,000. These transactions have been accounted for by the acquisition method of accounting.



17. ACQUISITION OF SUBSIDIARIES (Cont'd)

The net assets acquired in the transaction, and the goodwill on acquisition or discount arising, are as follows:

	Acquirees' carrying amount before combination	Fair value adjustments	Fair value
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets acquired:			
Property, plant and equipment	455,955	—	455,955
Prepaid lease payments	38,554	—	38,554
Intangible assets	—	37,171	37,171
Inventories	13,841	—	13,841
Trade receivables	19,010	—	19,010
Other receivables, deposits and prepayments	73,171	—	73,171
Bank balances and cash	74,022	—	74,022
Trade payables	(35,259)	—	(35,259)
Other payables and accrued charges	(193,828)	—	(193,828)
Borrowings	(120,625)	—	(120,625)
Deferred taxation	—	(12,266)	(12,266)
	<u>324,841</u>	<u>24,905</u>	<u>349,746</u>
Net assets acquired			<u>349,746</u>
Minority interests			(70,658)
Goodwill arising on acquisition			31,764
Discount on acquisition			(8,499)
			<u>302,353</u>
Satisfied by:			
Cash consideration			263,744
Other payables			19,949
Available-for-sale investments			18,660
			<u>302,353</u>
Net cash outflow arising on acquisition:			
Cash consideration			263,744
Bank balances and cash acquired			(74,022)
			<u>189,722</u>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			<u>189,722</u>

17. ACQUISITION OF SUBSIDIARIES (Cont'd)

The goodwill arising on the acquisition of Beike Lan Guang Group is attributable to the anticipated profitability of sales and distribution of gas fuel and related product of the Group and the gas pipeline construction operations. The discount on acquisition of HK\$8,499,000 is attributable to the acquisition of 61.67% equity interest in Qiqihar.

The subsidiaries acquired during the period contributed HK\$103,447,000 to the Group's turnover and a profit of HK\$5,328,000 to the Group's loss before taxation for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 January 2006, total group revenue for the period would have been HK\$1,251,514,000 and loss for the period would have been HK\$193,418,000. The proforma information is for illustrative purpose only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2006, nor is it intended to be a projection of future results.

The fair value of the intangible assets acquired, which relates to the exclusive operating right for city pipeline network, has been determined on a provisional basis, awaiting the receipt of professional valuations.