



The 2nd quarterly report

2004



PANVA

Panva Gas Holdings Limited

百江燃氣控股有限公司

(Incorporated in the Cayman Islands with limited liability)

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Fok Kin-ning, Canning
Mr. To Chi Keung, Simon (*alternate director to Mr. Fok Kin-ning, Canning*)

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

COMPANY SECRETARY

Mr. Lo Tai On

AUDIT COMMITTEE

Mr. Cheung Hon Kit
Mr. Li Xiao Ru

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

28th 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
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
B.W.I.

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/panvagas

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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.

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The board of directors (the “Board”) of Panva Gas Holdings Limited (the “Company”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2004.

FINANCIAL HIGHLIGHTS

- The Group’s turnover increased to approximately HK\$848,634,000 representing an increase of 20.71% from the same period last year.
- Gross profit amounted to approximately HK\$171,416,000 representing an increase of approximately 17.16% times from the same period last year.
- Net profit increased to approximately HK\$95,356,000 representing an increase of approximately 14.86% from the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

During the first half of 2004, government of the People’s Republic of China (the “PRC”) took macroeconomic measures to rein in investment activities in the steel, metal smelting, real estate and infrastructure industries with notable results. Although such measures were aimed at specific industries and sectors, the impact was felt at various degrees across the whole country. Against this background, the Group managed to sustain a healthy growth by further expanding its business territory and market share through the implementation of a proven market development strategy, and by dedicating stronger efforts to improve its management and operations. For the six months ended 30 June 2004, the Group’s turnover amounted to approximately HK\$848,634,000, representing an increase of 20.71% over the same period last year. Gross profit increased by 17.16% to approximately HK\$171,416,000 while net profit rose by 14.86% to approximately HK\$95,356,000.

Wholesale of Liquefied Petroleum Gas (“LP Gas”)

Wholesale of LP Gas comprises the sale of LP Gas in bulk and in cylinders to wholesale customers by tank lorries and tank vessels. It remained as a core business of the Group, accounting for approximately 55.27% of the Group’s total turnover for the six months ended 30 June 2004. The turnover recorded by this business segment for the period amounted to approximately HK\$469,035,000, a growth of 15.77% compared with the same period last year.

Retail Business

The Group’s retail business comprises the direct sale of LP Gas in cylinders and the provision of piped LP Gas and piped natural gas to retail customers. For the six months ended 30 June 2004, turnover derived from the retail business grew by 24.17% to approximately HK\$214,945,000, accounting for approximately 25.33% of the Group’s total turnover during the period.

REVIEW OF OPERATIONS *(Cont'd)*

Gas Pipeline Development

The Group's gas pipeline development business mainly includes the construction of low and medium pressure pipelines and pressure-regulating stations, 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 2004, turnover derived from the gas pipeline development business grew by 28.7% amounted to approximately HK\$148,515,000, accounting for approximately 17.5% of the Group's total turnover.

Progress of Gas Pipeline Development Projects

With environmental protection drawing more attention in the PRC, there is growing consensus in favour of the development of the gas fuel sector. Leveraging its competitive advantages, the Group continued its pace of project development in the piped and cylindered gas sectors, and made progress in the northeastern, southern and southwestern PRC regions. Apart from the conclusion of two new projects during the period under review, the Group is currently finalising several new projects. The Group expects to make further progress in project development during the second half of the year.

Sichuan Yuechi Project

The Group through its wholly-owned subsidiary Panriver Investments Company Limited ("Panriver Investments") acquired from the Municipal Government of the Yuechi municipality of the Sichuan Province a 90% equity interest in Yuechi Natural Gas Company, which was subsequently renamed as Yuechi Panva Gas Company Limited ("Yuechi Panva Gas"), for a consideration of RMB37,000,000. Pursuant to the agreement, the Group was granted an exclusive right to operate piped natural gas business in Yuechi for 30 years. As a result of the acquisition, the Group has further increased its market share and strengthened its competitiveness in the piped natural gas sector in Sichuan, which significantly enhanced the Group's economies-of-scale benefits and competitive advantages.

Located in Sichuan Province, Yuechi municipality occupies an area of approximately 1,480 square kilometres with a population of approximately 1,100,000 and connectable natural gas households of approximately 290,000. Yuechi is situated in the upper crust of Sichuan Basin with rich natural gas resources, and is directly accessible to the state government's major natural gas pipeline. As such, Yuechi has an abundant supply of natural gas amounting to 300,000 cubic metres daily. Compared to other cities in Sichuan using natural gas as a domestic fuel, Yuechi municipality has a relatively low ratio of less than 10% in natural gas penetration, providing huge room for natural gas development.

Yuechi Panva Gas is principally engaged in processing and distributing natural gas, operating natural gas meters, designing, installing and maintaining natural gas pipelines and water heaters, and marketing natural gas appliances. Its operation in the piped natural gas network in Yuechi includes the construction of the main trunk and sub-branch networks, the connection of natural gas pipelines to individual households, and the supply of piped gas to industrial and commercial users.

REVIEW OF OPERATIONS *(Cont'd)*

Sichuan Cangxi Project

During the period, the Group acquired from the Municipal Government of the Cangxi municipality of the Sichuan Province 100% equity interest in Cangxi Natural Gas Company, which was subsequently renamed as Cangxi Panva Gas Company Limited ("Cangxi Panva Gas"), for a consideration of RMB18,800,000. Pursuant to the agreement, the Group was granted an exclusive right to operate piped natural gas business in Cangxi for 30 years. With the successful acquisition of Cangxi Gas and the formation of Yuechi Panva Gas, the Group has established two strategic arms in the northern and eastern regions of Sichuan, which will facilitate the Group's further development of natural gas operations in the regions and in their vicinity.

Located at the northern border of Sichuan Basin, Cangxi municipality occupies an area of approximately 2,330 square kilometres with a population of approximately 780,000 and connectable natural gas households of approximately 200,000. Cangxi Panva Gas has access to an abundant supply of high quality natural gas in the surrounding area, which amounts to an aggregate reserve of approximately 5 billion cubic metres. Cangxi is a municipality earmarked for eco-development, where the use of coal fuel has been banned in its town area. Its primary energy sources are natural gas and electricity, which provides favourable prospects for natural gas development.

Cangxi Panva Gas is principally engaged in the supply of natural gas, the construction of natural gas pipelines, and the sale of natural gas and LP Gas appliances.

Financial Position

As at 30 June 2004, the Group's cash and cash equivalent amounted to approximately HK\$854,286,000, bank loans and other borrowings amounted to approximately HK\$488,994,000, of which approximately HK\$372,016,000 arose from the Group's issue of 5-year convertible bonds in April 2003 arranged by Morgan Stanley & Co. International Limited. The borrowings were mainly used to fund expansion in the piped gas business and the LP Gas business and as working capital. The Group ended the period under review with a current ratio of approximately 5.4 times and is in a net cash position.

All bank borrowings are denominated in Renminbi and as the Group's operations are carried out in the PRC, all receipts and payments in relation to the operations are denominated in Renminbi. In addition, the Group's 5-year convertible bonds are denominated in the United States dollars. Currently, no financial instruments are used for hedging purpose.

Panriver Investments has been granted credit lines at an aggregate amount of approximately RMB6,000,000,000 by the Bank of China, Shenzhen Branch.

REVIEW OF OPERATIONS *(Cont'd)*

Employees and Remuneration Policies

As at 30 June 2004, the Group had 3,236 full time employees, an increase of 8.01% from the end of last year. Approximately 99% of the Group's full time employees are located in the PRC. The Group remunerates its employees based on individual's performance and capability. On top of promotion opportunities and other incentives, the Group also provides its staff with various training opportunities. The Group has also developed a systematic staff development programme to facilitate the Group's further advancement in technology and management.

Contingent Liabilities

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

PROSPECTS

In view of the rising call for environmental protection in the PRC, liquid gas in particular liquefied natural gas ("LNG") is poised to further increase its market share in the PRC's energy consumption market. Several major LNG projects are being finalised in the coastal areas of Guangdong, Fujian and Zhejiang provinces. The proliferation of major operators in the upper stream will facilitate the expansion of the downstream LNG market. The Group will continue the effort in capturing such opportunities, further penetrate the untapped market and enhance its quality of service.

The Group will continue to strengthen its piped gas development business in the southwestern, southern, eastern and northeastern PRC regions and to secure more high quality piped gas projects. While focusing on the development of the piped gas sector, the Group will also continue to invest in and actively expand its LP Gas businesses including the retail of LP Gas in cylinders and the wholesale of LP Gas in bulk. The objective is to further expand the Group's end-user customer base and profitability by capitalising on the Group's brand-name advantage.

With a rapidly growing economy and increasing urbanisation, the PRC offers huge room for the development of the gas fuel sector. In spite of the competition and challenges ahead, there will be substantial amount of opportunities in the PRC's gas fuel market. Moving forward, the Group believes, with its expanding market share and further enhancement in operating efficiency, the Group is well positioned to deliver value and returns to shareholders in the coming years.

By Order of the Board

CHEN Wei

Managing Director

Hong Kong, 13 August 2004

OTHER INFORMATION

DISCLOSURE OF INTERESTS

Directors' Interests or short positions in Shares and in share options

At 30 June 2004, the interests and short positions of the Directors of the Company in the shares of the Company ("Shares"), underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO); or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to rules 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Directors	Interest in Shares			Interest in underlying Shares pursuant to share options	Aggregate interest/ (Short positions)	Approximate percentage of the Company's issued share capital
	Beneficial owner	Interest of controlled corporation	Total interest in Shares			
Chen Wei	4,160,000	–	4,160,000	5,040,000	9,200,000	0.98%
Li Fujun	1,000,000	–	1,000,000	2,600,000	3,600,000	0.38%
Ou Yaping	–	604,871,587	604,871,587	3,600,000	608,471,587	64.58%
	–	(38,461,538)	(38,461,538)	–	(38,461,538)	(4.08%)
		(Note)				
Shen Lian Jin	–	–	–	300,000	300,000	0.03%
Tang Yui Man, Francis	5,440,000	–	5,440,000	960,000	6,400,000	0.68%

Note:

The 604,871,587 Shares represent (i) 429,298,462 Shares held by Kenson Investment Limited ("Kenson"), a wholly-owned subsidiary of Sinolink Worldwide Holdings Limited ("Sinolink"). 64.46% 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 under the SFO to be interested in these Shares; (ii) 6,081,600 Shares held by Asia Pacific directly. The entire issued share capital of Asia Pacific are legally and beneficially held by Mr. Ou; and 169,491,525 Shares held by Supreme All Investments Limited ("Supreme All"). 100% interests of Supreme All are held by Sinolink. Mr. Ou is deemed under the SFO to be interested in these Shares.

Kenson is under an obligation to transfer 38,461,538 Shares to Hutchison International Limited ("Hutchison International") upon full exchange of a HK\$125,000,000 redeemable note (the "Note") held by Hutchison International in accordance with the terms and conditions of the Note.

DISCLOSURE OF INTERESTS (Cont'd)**Directors' Interests or short positions in Shares and in share options** (Cont'd)

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

Directors' rights to acquire Shares

Pursuant to the Company's share option scheme, the Company has granted options to subscribe the Company's ordinary Shares in favour of certain directors, the details of which are as follows:

Name of Directors	Date of grant	Exercisable period	Exercise price HK\$	Number of Shares subject to outstanding options as at 1.1.2004	Exercised during the period	Number of Shares subject to outstanding options as at 30.6.2004	Approximate percentage of the Company's issued share capital
Chen Wei	04.04.2001	01.01.2003 – 03.04.2011	0.475	1,800,000	–	1,800,000	0.19%
	04.04.2001	01.01.2004 – 03.04.2011	0.475	1,800,000	–	1,800,000	0.19%
	13.11.2001	13.11.2002 – 13.02.2007	0.940	1,440,000	–	1,440,000	0.15%
Li Fujun	04.04.2001	01.01.2003 – 03.04.2011	0.475	1,200,000	280,000	920,000	0.10%
	04.04.2001	01.01.2004 – 03.04.2011	0.475	1,200,000	–	1,200,000	0.13%
	13.11.2001	13.11.2002 – 13.02.2007	0.940	480,000	–	480,000	0.05%
Ou Yaping	04.04.2001	01.01.2003 – 03.04.2011	0.475	1,800,000	–	1,800,000	0.19%
	04.04.2001	01.01.2004 – 03.04.2011	0.475	1,800,000	–	1,800,000	0.19%
Shen Lian Jin	04.04.2001	01.01.2004 – 03.04.2001	0.475	300,000	–	300,000	0.03%
Tang Yui Man, Francis	13.11.2001	13.11.2002 – 13.02.2007	0.940	960,000	–	960,000	0.10%

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. The weighted average closing price of the Shares immediately before the date on which the options were exercised was HK\$4.01.
3. These options represent personal interest held by the directors as beneficial owner.
4. During the period, no options to any director were granted, cancelled or lapsed under the share option scheme.

DISCLOSURE OF INTERESTS (Cont'd)**Interests in shares in associated corporations**

Name of Directors	Name of associated corporations	Interest of controlled corporation	Capacities		Aggregate Interest	Approximate percentage of the issued share capital of associated corporation
			Beneficial owner	Held by spouse		
Ou Yaping	Sinolink	1,494,222,000 (Note 1)	-	6,475,920	1,500,697,920 (Note 1)	64.74%
	Enerchina Holdings Limited	849,038,775 (Note 2)	-	-	849,038,775 (Note 2)	37.10%
	Asia Pacific	-	1	-	1	100%
	Supreme All	1	-	-	1	100%

Notes:

1. 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.
2. The 849,038,775 shares in Enerchina Holdings Limited ("Enerchina") represent the aggregate of: (i) the 571,887,966 shares held by Sinolink (Mr. Ou Yaping through his wholly-owned company, Asia Pacific, holds approximately 64.46% of the existing issued share capital of Sinolink and is therefore deemed to be interested in all the shares in which Sinolink is interested); and (ii) the 277,150,809 shares held by Smart Orient Investments Limited ("Smart Orient"). 100% interests of Smart Orient are held by Sinolink. Mr. Ou is deemed under the SFO to be interested in these shares.

DISCLOSURE OF INTERESTS (Cont'd)**Interests 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 share options held
Chen Wei	Sinolink	14.03.2002	01.12.2002 – 01.12.2005	0.59	6,400,000
Ou Yaping	Enerchina	09.06.2004	09.06.2004 – 08.06.2014	0.44	2,288,000
Tang Yui Man, Francis	Enerchina	09.06.2004	09.06.2004 – 08.06.2014	0.44	22,880,000

The vesting period of the share options is from the date of grant until the commencement of the exercise period.

Save as disclosed above, none of the Directors or chief executives or their respective associates (as defined in the GEM Listing Rules) had any interests or short positions in Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO); or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to rules 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2004, the following person(s) or corporations, other than the Directors or chief executives of the Company as disclosed above, had an interest in the Shares and underlying Shares of the Company which were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

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

Name of shareholders	Beneficial owner	Interest in Shares Long positions/(short positions) Held by		Total interest in Shares	Interest in underlying Shares pursuant to share options/debentures	Aggregate interest/(short positions)	Approximate percentage of the Company's issued share capital
		controlled corporation	Held by trust				
Kenson	429,298,462 (38,461,538) (Note 1)	- -	- -	429,298,462 (38,461,538)	- -	429,298,462 (38,461,538)	45.56% (4.08%)
Sinolink	- -	598,789,987 (38,461,538)	- -	598,789,987 (38,461,538)	- -	598,789,987 (38,461,538)	63.54% (4.08%)
Asia Pacific	- -	604,871,587 (38,461,538)	- -	604,871,587 (38,461,538)	- -	604,871,587 (38,461,538)	64.19% (4.08%)
Ou Yaping	- -	604,871,587 (38,461,538)	- -	604,871,587 (38,461,538)	3,600,000 -	608,471,587 (38,461,538)	64.58% (4.08%)
Hutchison International Limited	38,461,538	-	-	38,461,538	38,461,538	76,923,076	8.16%
Hutchison Whampoa Limited	-	38,461,538 (Note 2)	-	38,461,538	38,461,538	76,923,076	8.16%
Cheung Kong (Holdings) Limited	-	38,461,538 (Note 3)	-	38,461,538	38,461,538	76,923,076	8.16%
Li Ka-Shing Unity Trustee Company Limited	-	-	38,461,538 (as trustee) (Note 3)	38,461,538	38,461,538	76,923,076	8.16%
Li Ka-Shing Unity Trustcorp Limited	-	-	38,461,538 (as trustee and beneficiary of a trust) (Note 3)	38,461,538	38,461,538	76,923,076	8.16%
Li Ka-Shing Unity Trustee Corporation Limited	-	-	38,461,538 (as trustee and beneficiary of a trust) (Note 3)	38,461,538	38,461,538	76,923,076	8.16%
Li Ka-shing	-	38,461,538 (also as founder of discretionary trusts) (Note 3)	-	38,461,538	38,461,538	76,923,076	8.16%

SUBSTANTIAL SHAREHOLDERS (Cont'd)

Notes:

1. Sinolink is interested in the entire issued share capital of Kenson. Therefore, by virtue of Section 310 of Part XV of the SFO, the Shares in which Kenson is shown as being interested are included in and duplicate with interest in the Shares of the Company held by Sinolink and Asia Pacific. Mr. Ou is the sole beneficial shareholder of Asia Pacific. Mr. Ou is deemed under Part XV of 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 upon full exchange of a HK\$125,000,000 Note held by Hutchison International in accordance with the terms and conditions of the Note.

2. Hutchison International is interested in 38,461,538 Shares and in the Note which is exchangeable into existing Shares at the exchange price of HK\$3.25 (subject to adjustment) per Share. Upon full exchange of the Note at the initial exchange price, Hutchison International shall be entitled to another 38,461,538 Shares and is accordingly interested in an aggregate of 76,923,076 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 76,923,076 Shares.

3. 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, of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. 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, Li Ka-Shing Unity Holdings Limited 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 are all deemed to be interested in the 38,461,538 Shares and the Note representing 38,461,538 underlying Shares both held by Hutchison International.

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.

Save for the shareholders as disclosed herein, the directors are not aware of any persons who, as at 30 June 2004, 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 OPTIONS

Movements of the share options, which have been granted under the Pre-Listing Share Option Scheme ("Pre-Listing Options") and Share Option Scheme ("2001 Options") both approved by sole shareholder on 4 April 2001, during the period are set out below:-

	Option type	Outstanding at 1.1.2004	Appointed as director during the period	Retired as director during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2004
<i>Category 1: Directors</i>							
Chen Wei	Pre-Listing Options	3,600,000	-	-	-	-	3,600,000
	2001 Options	1,440,000	-	-	-	-	1,440,000
Lai Wen Guang	Pre-Listing Options	2,400,000	-	1,600,000	800,000	-	-
	2001 Options	960,000	-	960,000	-	-	-
Lau Shi Wa	Pre-Listing Options	1,200,000	-	600,000	600,000	-	-
Li Fujun	Pre-Listing Options	2,400,000	-	-	280,000	-	2,120,000
	2001 Options	480,000	-	-	-	-	480,000
Ou Yaping	Pre-Listing Options	3,600,000	-	-	-	-	3,600,000
Shen Lian Jin	Pre-Listing Options	-	600,000	-	300,000	-	300,000
Tang Yui Man, Francis	2001 Options	960,000	-	-	-	-	960,000
Total Directors		17,040,000	600,000	3,160,000	1,980,000	-	12,500,000
<i>Category 2: Employees</i>							
	Option type	Outstanding at 1.1.2004	Appointed as director during the period	Retired as director during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2004
	Pre-Listing Options	7,440,000	600,000	2,200,000	3,790,000	-	5,250,000
	2001 Options	6,984,000	-	960,000	2,183,000	-	5,761,000
Total Employees		14,424,000	600,000	3,160,000	5,973,000	-	11,011,000
All categories		31,464,000	-	-	7,953,000	-	23,511,000

SHARE OPTIONS (Cont'd)

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK\$
Pre-Listing Options	04.04.2001	01.01.2003 – 03.04.2011	0.475
	04.04.2001	01.01.2004 – 03.04.2011	0.475
2001 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

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. The weighted average closing price of the Shares immediately before the date on which the options were exercised were HK\$4.01 and HK\$3.82.
3. During the period, no options were granted, cancelled or lapsed under the share option schemes.

COMPETING INTERESTS

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.

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 5.29 to 5.30 of the GEM Listing Rules. The audit committee has 2 members comprising 2 independent non-executive directors, Mr. Cheung Hon Kit and Mr. Li Xiao Ru. The audit committee's principal duties are the review and supervision of the Company's financial reporting process and internal control systems, including a general review of the unaudited interim financial report for the six months ended 30 June 2004. In carrying out this review, the audit committee has obtained explanations from management. At the request of the Board, the Group's external auditors have carried out a review of the unaudited interim financial report in accordance with the Statement of Auditing Standards No. 700 issued by the Hong Kong Society of Accountants.

COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

In the opinions of the directors, the Company has complied with the code of best practice as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the relevant period.

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.



INDEPENDENT REVIEW REPORT

To the Board of Directors of Panva Gas Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Introduction

We have been instructed by Panva Gas Holdings Limited (the "Company") to review the interim financial report set out on pages 16 to 26.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. 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 No. 700 ("SAS 700") "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. 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 2004.

Without modifying our review conclusion, we draw to your attention that the condensed consolidated income statements for each of the three-month periods ended 30 June 2004 and 2003 disclosed in the interim financial report have not been reviewed in accordance with SAS 700.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 13 August 2004

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2004

	Notes	Six months ended 30 June		Three months ended 30 June	
		2004 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)
Turnover	3	848,634	702,990	437,396	354,266
Cost of sales		(677,218)	(556,681)	(346,736)	(276,493)
Gross profit		171,416	146,309	90,660	77,773
Other operating income		4,965	1,380	791	1,169
Distribution costs		(19,440)	(15,625)	(9,794)	(8,273)
Administrative expenses		(35,871)	(24,921)	(18,309)	(12,575)
Other operating expenses		(1,574)	(587)	(410)	(531)
Profit from operations		119,496	106,556	62,938	57,563
Finance costs		(5,155)	(3,564)	(2,396)	(2,597)
Profit before taxation		114,341	102,992	60,542	54,966
Taxation	4	(6,206)	(2,903)	(4,364)	(1,375)
Profit before minority interests		108,135	100,089	56,178	53,591
Minority interests		(12,779)	(17,073)	(7,033)	(8,241)
Net profit for the period		95,356	83,016	49,145	45,350
		HK cents	HK cents	HK cents	HK cents
Earnings per share	6				
– Basic		10.20	13.72	5.22	7.49
– Diluted		9.40	10.27	4.81	5.46

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2004

	Notes	30.6.2004 HK\$'000 (unaudited)	31.12.2003 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	7	810,373	615,788
Intangible assets		9,411	9,662
Goodwill	8	22,287	13,954
Negative goodwill		(16,189)	(18,022)
Investments in securities		7,980	7,906
		<u>833,862</u>	<u>629,288</u>
Current assets			
Inventories		33,600	36,374
Trade receivables	9	132,177	183,859
Other receivables, deposits and prepayments		393,030	218,411
Amount due from minority shareholders		–	11,246
Bank balances and cash		854,286	356,809
		<u>1,413,093</u>	<u>806,699</u>
Current liabilities			
Trade payables	10	32,704	79,062
Other payables and accruals		94,350	68,709
Taxation		34,415	29,021
Amounts due to minority shareholders		6,548	3,414
Borrowings – due within one year	11	96,071	32,526
		<u>264,088</u>	<u>212,732</u>
Net current assets		<u>1,149,005</u>	<u>593,967</u>
Total assets less current liabilities		<u>1,982,867</u>	<u>1,223,255</u>
Non-current liabilities			
Borrowings – due after one year	11	392,923	378,564
		<u>1,589,944</u>	<u>844,691</u>
Minority shareholders		<u>(320,974)</u>	<u>(264,637)</u>
Net assets		<u>1,268,970</u>	<u>580,054</u>
Capital and reserves			
Share capital	12	94,225	77,910
Reserves		1,174,745	502,144
Shareholders' funds		<u>1,268,970</u>	<u>580,054</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2004

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Asset revaluation reserve HK\$'000	Capital reserve HK\$'000	General reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2003	60,508	49,593	(192)	4,973	1,101	2,077	150,313	268,373
Issue of shares on conversion of convertible note	16,949	-	-	-	-	-	-	16,949
Issue of shares on conversion of convertible bonds	453	-	-	-	-	-	-	453
Addition during the year	-	-	-	-	-	883	-	883
Expenses incurred in connection with issue of convertible bonds	-	(14,833)	-	-	-	-	-	(14,833)
Disposal of subsidiaries	-	-	-	(92)	-	-	-	(92)
Premium arising on issue of shares	-	100,332	-	-	-	-	-	100,332
Exchange difference on translation of overseas operations	-	-	(1,085)	-	-	-	-	(1,085)
Transfer	-	-	-	-	-	1,350	(1,350)	-
Net profit for the year	-	-	-	-	-	-	209,074	209,074
At 1 January 2004	77,910	135,092	(1,277)	4,881	1,101	4,310	358,037	580,054
Share options exercised	795	-	-	-	-	-	-	795
Issue of new shares	15,520	-	-	-	-	-	-	15,520
Premium arising on issue of shares	-	605,505	-	-	-	-	-	605,505
Expenses incurred in connection with issue of shares	-	(28,260)	-	-	-	-	-	(28,260)
Transfer	-	-	-	-	-	409	(409)	-
Net profit for the period	-	-	-	-	-	-	95,356	95,356
At 30 June 2004	<u>94,225</u>	<u>712,337</u>	<u>(1,277)</u>	<u>4,881</u>	<u>1,101</u>	<u>4,719</u>	<u>452,984</u>	<u>1,268,970</u>
At 1 January 2003	60,508	49,593	(192)	4,973	1,101	2,077	150,313	268,373
Exchange difference on translation of overseas operations	-	-	(1,083)	-	-	-	-	(1,083)
Expenses incurred in connection with issue of convertible bonds	-	(14,423)	-	-	-	-	-	(14,423)
Transfer	-	-	-	-	-	659	(659)	-
Net profit for the period	-	-	-	-	-	-	83,016	83,016
At 30 June 2003	<u>60,508</u>	<u>35,170</u>	<u>(1,275)</u>	<u>4,973</u>	<u>1,101</u>	<u>2,736</u>	<u>232,670</u>	<u>335,883</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2004

	Six months ended 30 June 2004	Six months ended 30 June 2003
	HK\$'000	HK'000
	(unaudited)	(unaudited)
Net cash (used in) from operating activities	(18,866)	77,427
Net cash used in investing activities	(165,727)	(76,895)
Net cash from financing activities	682,070	354,663
	<hr/>	<hr/>
Net increase in cash and cash equivalents	497,477	355,195
Bank balances and cash at beginning of the period	356,809	98,224
Effect of foreign exchange rate changes	-	(1,083)
	<hr/>	<hr/>
Bank balances and cash at end of the period	854,286	452,336
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2004

1. GENERAL

The Company was incorporated in the Cayman Islands on 16 November 2000 as an exempted company with limited liability under the Companies Law (Revised) Chapter 22 of the Cayman Islands. The shares of the Company are listed on the Growth Enterprise Market (the "GEM") operated by The Stock Exchange of Hong Kong Limited (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 (the "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.

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and with Statement of Standard Accounting Practice No. 25 ("SSAP 25") "Interim Financial Reporting".

2. ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2003.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Cont'd)
FOR THE SIX MONTHS ENDED 30 JUNE 2004

3. SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods provided to outside customers during the period, net of discounts and returns, value-added tax and sales tax.

An analysis of the Group's turnover and contribution to profit from operations for the six months ended 30 June 2004 is as follows:

	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>
30 June 2004			
REVENUE			
External	700,119	148,515	848,634
SEGMENT RESULTS	<u>33,797</u>	<u>87,703</u>	121,500
Other operating income			4,965
Unallocated corporate expenses			(6,969)
Profit from operations			119,496
Finance costs			(5,155)
Profit before taxation			114,341
Taxation			(6,206)
Profit before minority interests			108,135
Minority interests			(12,779)
Net profit for the period			<u>95,356</u>
30 June 2003			
REVENUE			
External	587,586	115,404	702,990
SEGMENT RESULTS	<u>34,482</u>	<u>82,396</u>	116,878
Other operating income			1,380
Unallocated corporate expenses			(11,702)
Profit from operations			106,556
Finance costs			(3,564)
Profit before taxation			102,992
Taxation			(2,903)
Profit before minority interests			100,089
Minority interests			(17,073)
Net profit for the period			<u>83,016</u>

The Group's operations are situated in the PRC and its revenue was derived principally from there. Accordingly, no geographical segment information is presented.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Cont'd)
FOR THE SIX MONTHS ENDED 30 JUNE 2004

4. TAXATION

Six months ended		Three months ended	
30 June		30 June	
2004	2003	2004	2003
HK\$'000	HK\$'000	HK\$'000	HK\$'000

The charge comprises:

Profit for the period				
PRC, excluding Hong Kong	<u>6,206</u>	<u>2,903</u>	<u>4,364</u>	<u>1,375</u>

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

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's subsidiaries established in the PRC 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 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%. The charge of PRC enterprise income tax for the period has been provided for after taking these tax incentives into account.

5. DEPRECIATION AND AMORTISATION

During the period, depreciation of HK\$15,203,000 (2003: HK\$9,276,000) was charged in respect of the Group's property, plant and equipment and total amortisation of HK\$619,000 (2003: HK\$395,000) was charged to administrative expenses in respect of the Group's goodwill. The negative goodwill amounted to HK\$284,000 (2003: HK\$158,000) was released to the income statement for the period.

6. EARNINGS PER SHARE

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

	Six months ended		Three months ended	
	30 June		30 June	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings for the purpose of basic earnings per share	<u>95,356</u>	83,016	<u>49,145</u>	45,350
Effect of dilutive potential shares:				
Interest on convertible note and bond	<u>3,619</u>	2,986	<u>1,766</u>	2,246
Earnings for the purposes of diluted earnings per share	<u>98,975</u>	86,002	<u>50,911</u>	47,596

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2004

6. EARNINGS PER SHARE (Cont'd)

	Six months ended 30 June		Three months ended 30 June	
	2004	2003	2004	2003
	Number of shares ('000)		Number of shares ('000)	
Weighted average number of shares for the purpose of basic earnings per share	934,705	605,076	941,891	605,076
Effect of dilutive potential shares:				
Options	20,023	29,812	19,350	29,990
Convertible note	-	169,491	-	169,491
Convertible bonds	97,851	33,190	97,851	66,379
Weighted average number of shares for the purpose of diluted earnings per share	1,052,579	837,569	1,059,092	870,936

7. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$211,546,000 (2003: HK\$77,997,000) on acquisition of property, plant and equipment.

At 30 June 2004, the directors have considered the carrying amount of the Group's leasehold land and buildings carried at revalued amounts and have estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the balance sheet date. Consequently, no revaluation surplus or deficit has been recognised in the current period.

8. GOODWILL

	30.6.2004 HK\$'000	31.12.2003 HK\$'000
Balance at the beginning of period	13,954	14,349
Addition	8,952	-
Amortisation	(619)	(395)
Balance at the end of period	22,287	13,954

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2004

9. 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:

	30.6.2004	31.12.2003
	HK\$'000	HK\$'000
0 to 90 days	85,139	132,853
91 to 180 days	24,571	46,872
181 to 360 days	20,501	2,430
Over 360 days	1,966	1,704
	<u>132,177</u>	<u>183,859</u>

10. TRADE PAYABLES

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

	30.6.2004	31.12.2003
	HK\$'000	HK\$'000
0 to 90 days	26,069	72,702
91 to 180 days	3,241	1,133
181 to 360 days	428	763
Over 360 days	2,966	4,464
	<u>32,704</u>	<u>79,062</u>

11. BORROWINGS

	30.6.2004	31.12.2003
	HK\$'000	HK\$'000
Bank loans (secured)	22,591	32,863
Bank loans (unsecured)	84,331	5,239
Other loans (unsecured)	10,056	972
Convertible bonds	372,016	372,016
	<u>488,994</u>	<u>411,090</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Cont'd)

FOR THE SIX MONTHS ENDED 30 JUNE 2004

11. BORROWINGS (Cont'd)

	30.6.2004	31.12.2003
	HK\$'000	HK\$'000
The maturity of the above borrowings is as follows:		
On demand or within one year	96,071	32,526
More than one year but not exceeding two years	19,597	3,929
More than two years but not exceeding five years	373,326	374,635
	488,994	411,090
Less: Amount due within one year shown under current liabilities	(96,071)	(32,526)
Amount due after one year	392,923	378,564

The convertible bond was issued on 23 April 2003. The bond is convertible into shares of the Company from the 45th day commencing from the date of issue, up to 14 days prior to the fifth anniversary of the date of issuance. The price at which each share shall be issued upon conversion shall be HK\$3.8043 per share. The outstanding unconverted principal amount of the bond will be redeemed on 23 April 2008 at 108.119%. Interest of 2% is paid per annum.

12. SHARE CAPITAL

	30.6.2004	31.12.2003
	HK\$'000	HK\$'000
Shares of HK\$0.10 each		
<i>Authorised:</i>		
2,000,000,000 shares of HK\$0.10 each	200,000	200,000
<i>Issued and fully paid:</i>		
942,250,891 shares (2003: 779,097,891 shares) of HK\$0.10 each	94,225	77,910
	Number of shares	HK\$'000
Number of shares at the beginning of period	779,097,891	77,910
Share options exercised	7,953,000	795
Issue of new shares	155,200,000	15,520
Number of shares at the end of period	942,250,891	94,225

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Cont'd)
 FOR THE SIX MONTHS ENDED 30 JUNE 2004

13. CAPITAL COMMITMENTS

	30.6.2004	31.12.2003
	HK\$'000	HK\$'000
Commitments for the investments in subsidiaries – contracted for but not provided for in the financial statements	135,847	186,361

14. INTERIM DIVIDEND

The Board does not declare an interim dividend for the six months ended 30 June 2004.

15. ACQUISITIONS

The Group acquired 90% and 100% of the issued share capital of Yuechi Panva Gas Company Limited and Daiyi Panva Gas Company Limited respectively for an aggregate cash consideration of HK\$47 million. These transactions have been accounted for using the purchase method of accounting.

The effect of the acquisition is summarised as follows:

	<i>HK\$'000</i>
Net assets acquired	37,821
Goodwill arising on acquisition	8,952
	<hr/>
Cash consideration	46,773
	<hr/> <hr/>
Net cash outflow arising on acquisition	
Cash consideration	46,773
Bank balances and cash acquired	(2,146)
	<hr/> <hr/>
	44,627

The subsidiaries acquired during the period contributed HK\$37,520,000 to the Group's turnover and HK\$23,158,000 to the Group's profit from operations.