



The 3rd 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)

CORPORATE INFORMATION

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
Mr. Ge Ming

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
Mr. Ge Ming

Registered Office

Ugland House
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
Telephone: (852) 2851 8425
Facsimile: (852) 2851 0970
Stock Code: 8132

Auditors

Deloitte Touche Tohmatsu
Certified Public Accountants
26th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Bank (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
B.W.I.

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
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 Asia

(As to the PRC Law)
Haiwen & Partners

Principal Bankers

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

Websites

www.panva-gas.com
www.irasia.com/listco/hk/panvagass

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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.

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Panva Gas Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to Panva Gas Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- The Group's turnover increased to approximately HK\$1,280,982,000 representing an increase of 22.95% from the same period last year.
- Gross profit increased to approximately to HK\$284,872,000 representing an increase of approximately 26.07% from the same period last year.
- Net profit increased to approximately HK\$167,639,000 representing an increase of approximately 26.38% from the same period last year.

RESULTS

The board of directors (the "Board") of Panva Gas Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the nine months ended 30 September 2004, together with the comparative figures of the corresponding period in 2003, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2004

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2004 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)	2004 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)
Turnover		1,280,982	1,041,852	432,348	338,862
Cost of sales		(996,110)	(815,883)	(318,892)	(259,202)
Gross profits		284,872	225,969	113,456	79,660
Other operating income	2	7,387	2,455	2,422	1,075
Distribution costs		(30,224)	(24,678)	(10,784)	(9,053)
Administrative expenses		(55,302)	(37,944)	(19,431)	(13,023)
Other operating expenses		(1,679)	(1,145)	(105)	(558)
Profit from operations		205,054	164,657	85,558	58,101
Finance costs		(11,096)	(6,853)	(5,941)	(3,289)
Profit before taxation		193,958	157,804	79,617	54,812
Taxation	3	(11,727)	(3,218)	(5,521)	(315)
Profit before minority interests		182,231	154,586	74,096	54,497
Minority interests		(14,592)	(21,937)	(1,813)	(4,864)
Net profit for the period		167,639	132,649	72,283	49,633
		HK cents	HK cents	HK cents	HK cents
Earnings per share	4				
– Basic		17.89	21.92	7.67	8.20
– Diluted		16.41	16.09	7.00	5.92

Notes:

1. BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 16 November 2000 as an exempted company with limited liability under the Companies Law (Revised) Chapter 22 of the Cayman Islands. The Company's shares (the "Shares") have been listed on the GEM operated by the Stock Exchange since 20 April 2001.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sale and distribution of liquefied petroleum gas ("LP Gas") and natural gas (together "Gas Fuel") in the People's Republic of China ("PRC") including the sale of LP Gas in bulk and in cylinders, the provision of piped 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.

2. OTHER OPERATING INCOME

Other operating income include interest earned on bank deposits of the Group.

3. TAXATION

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

The tax rate applicable for all PRC subsidiaries 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 ranges from 12% to 16.5%. PRC enterprise income tax for the year has been provided for after taking those tax incentives into account.

4. EARNINGS PER SHARE

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

	Nine months ended 30 September 2004		Three months ended 30 September 2004	
	<i>HK\$'000</i>	2003	<i>HK\$'000</i>	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings for the purpose of basic earnings per Share	167,639	132,649	72,283	49,633
Effect of dilutive potential Shares: Interest on convertible notes	5,480	5,736	1,860	2,749
Earnings for the purpose of diluted earnings per Share	173,119	138,385	74,143	52,382
	Nine months ended 30 September 2004	2003	Three months ended 30 September 2004	2003
	<i>No. of shares ('000)</i>	<i>('000)</i>	<i>No. of shares ('000)</i>	<i>('000)</i>
Weighted average number of Shares for the purpose of basic earnings per Share	937,239	605,076	942,251	605,076
Effect of dilutive potential Shares:				
Options	19,660	30,183	18,921	10,339
Convertible note	–	169,491	–	169,491
Convertible bonds	97,851	55,315	97,851	99,569
Weighted average number of Shares for the purpose of diluted earnings per share	1,054,750	860,065	1,059,023	884,475

5. RESERVES

	Share Premium Reserve HK\$'000	Exchange Reserve HK\$'000	Capital Reserve HK\$'000	General Reserve HK\$'000	Assets Revaluation Reserve HK\$'000	Retained Earnings HK\$'000	Total HK\$'000
As 1 January 2003	49,593	(192)	1,101	2,077	4,973	150,313	207,865
Issue of Shares	-	(1,083)	-	-	-	-	(1,083)
Issue expenses on convertible bond	(14,423)	-	-	-	-	-	(14,423)
Transfer	-	-	-	658	-	(658)	-
Net profit for the period	-	-	-	-	-	132,649	132,649
At 30 September 2003	<u>35,170</u>	<u>(1,275)</u>	<u>1,101</u>	<u>2,735</u>	<u>4,973</u>	<u>282,304</u>	<u>325,008</u>
At 1 January 2004	135,092	(1,277)	1,101	4,310	4,881	358,037	502,144
Exchange difference	-	(3,173)	-	-	-	-	(3,173)
Premium arising on issue of Shares	605,505	-	-	-	-	-	605,505
Expenses incurred in connection with the issues of Shares	(28,260)	-	-	-	-	-	(28,260)
Expenses incurred in connection with issue of the guaranteed senior notes	(33,863)	-	-	-	-	-	(33,863)
Transfer	-	-	-	409	-	(409)	-
Net profit for the period	-	-	-	-	-	167,639	167,639
At 30 September 2004	<u>678,474</u>	<u>(4,450)</u>	<u>1,101</u>	<u>4,719</u>	<u>4,881</u>	<u>525,267</u>	<u>1,209,992</u>

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the nine months ended 30 September 2004 (2003: nil).

REVIEW OF OPERATIONS

During the period under review, rising oil prices worldwide led to steep hikes in LP Gas production costs borne by the PRC's petrochemical industry, bringing huge challenges to the Group's LP Gas operations. Facing these challenges, the Group took active measures to reduce its operating costs – such as the strengthening of control on inventory turnover, diversification in purchasing and adoption of more proactive management – while increased the sale prices of its products. As a result, the operating risks brought by rising oil prices were efficaciously alleviated. For the third quarter of 2004, the Group maintained a solid growth in its operating results and successfully withstood the test of the market.

The Group's turnover for the nine months ended 30 September 2004 amounted to approximately HK\$1,280,982,000, representing an increase of 22.95% over the same period last year. Gross profit increased by 26.07% to approximately HK\$284,872,000 while net profit rose by 26.38% to approximately HK\$167,639,000.

Wholesale of 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 51.38% of the Group's total turnover for the nine months ended 30 September 2004. The turnover recorded by this business segment for the period amounted to approximately HK\$658,119,000, a growth of 9.68% 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 nine months ended 30 September 2004, turnover derived from the retail business grew by 37.85% to approximately HK\$328,465,000, accounting for approximately 25.64% 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 nine months ended 30 September 2004, turnover derived from the gas pipeline development business grew by 41.31% to approximately HK\$269,555,000, accounting for approximately 21.04% of the Group's total turnover.

Progress of Gas Pipeline Development Projects

In light of the growing volatility of international oil prices, natural gas being a clean and inexpensive fuel with a relatively stable supply is increasingly favoured by the consumer market. Capitalising on its competitive advantages, the Group has accelerated its piped gas development to seize the opportunities. The period under review saw satisfactory progress in this regard, with the Group expanding its piped gas operations in major cities and achieving significant breakthroughs in new project development in the northeastern PRC region.

Jilin Changchun Project

In August 2004, the Group through its wholly-owned subsidiary Panriver Investments Company Limited ("Panriver Investments") entered into an ownership transfer agreement with Changchun Municipality State-owned Assets Administrative Bureau to acquire a 48% equity interest in Changchun Gas Holdings Limited ("Changchun Gas Holdings") for a consideration of RMB379,200,000. Upon the granting of necessary approvals from relevant PRC authorities, Changchun Gas Holdings will be changed into a Sino-foreign joint venture company with an operating period of 30 years.

Changchun Gas Holdings is a state-owned enterprise incorporated in the PRC. It holds 244,800,000 legal person shares representing 60.22% of the total issued capital of Changchun Gas Co., Ltd. ("Changchun Gas") whose A shares are listed on the Shanghai Stock Exchange.

Established in 1998, Changchun Gas was listed on the Shanghai Stock Exchange on 11 December 2000. Changchun Gas is principally engaged in the production and distribution of natural gas, coal gas, LP Gas, metallurgical coke and coke oil, and is the sole producer of metallurgical coke and coke oil in the Changchun city. More than 80% of its products are sold to places outside Changchun. The piped gas products of Changchun Gas, including coal gas, natural gas and LP Gas, are supplied to urban users in the Changchun and Yanji cities of Jilin province, which command a market share of over 70% of the gas fuel consumption in the two cities.

REVIEW OF OPERATIONS *(Cont'd)*

Jilin Changchun Project *(Cont'd)*

Being the capital city of Jilin, Changchun is the political, economic and cultural centre of the province, with six districts and four municipalities under its jurisdiction. Changchun occupies an area of approximately 20,571 square kilometres, with a population of approximately 7,180,000 and connectable natural gas households of approximately 1,890,000. Under its 10th 5-year city development plan, Changchun will gradually switch from coal to gas fuel consumption in its city area in order to curb the pollution caused by direct coal burning. As such, it is expected that city piped gas user households will grow strongly in Changchun.

The Changchun project underpins the Group's first endeavour to acquire a PRC listed company and has huge significance to the Group's future strategic development. With the successful conclusion of the project, the Group has opened up the northeastern PRC piped gas market and laid a solid foundation for its further development in the region.

Sichuan Pengshan Project

During the period, the Group acquired from the Municipal Government of the Pengshan municipality of the Sichuan Province a 70% equity interest in Pengshan Natural Gas Company ("Pengshan Gas") for a consideration of RMB21,000,000. As part of the acquisition, Pengshan Gas has been granted an exclusive right to operate piped natural gas business in the Pengshan municipality for 30 years. With the successful acquisition of Pengshan Gas, the Group has reinforced its competitive advantages and strengths in Sichuan while enhancing its economies-of-scale-benefits.

Located in southwestern Chengdu Plain, Pengshan municipality is part of the Meishan District with 18 counties under its jurisdiction. It occupies an area of approximately 465 square kilometres, with a population of approximately 320,000 and connectable natural gas households of approximately 85,000. Pengshan municipality is served by a strong transport network including the Chengkun Railway and the Chengya and Chengle Highways. Being only some 50 kilometres from the Chengdu city and part of the Chengdu Plain Economic Circle, Pengshan municipality offers good prospects for the development of industrial and commercial piped gas businesses.

REVIEW OF OPERATIONS *(Cont'd)*

Sichuan Zhongjiang Project

During the period, the Group acquired 100% equity interest in Zhongjiang Natural Gas Company ("Zhongjiang Gas") for a consideration of RMB36,700,000. As part of the acquisition, Zhongjiang Gas has been granted an exclusive right to operate piped natural gas business in the Zhongjiang municipality for 30 years.

Zhongjiang municipality is under the jurisdiction of Deyang city. Located in the northern Sichuan Basin with Chengdu Plain to its west, Zhongjiang municipality is 35 kilometres from Deyang and 88 kilometres from Chengdu. It is at the heart of Sichuan's well-developed economic zone, served by a convenient transport network including the Chengnan and Chengmian Highways and the Chengda Railway, which make Zhongjiang one of the municipalities that benefit early from the economic developments of small and medium cities in the vicinity. As at 2003, Zhongjiang municipality had a population of approximately 1,410,000 and connectable natural gas households of approximately 370,000. With the main natural gas pipeline now covering the whole municipality, Zhongjiang offers bright prospects for piped gas development.

Heilongjiang Qiqihar Project

On 10 November 2004, the Group through Panriver Investments entered into an agreement to acquire from the Municipal Government of the City of Qiqihar of the Heilongjiang Province both the Qiqihar Natural Gas Company and the Qiqihar Liquefied Gas Company. Pursuant to the acquisition agreement, the two gas companies are to be restructured into a new Sino-foreign joint venture company, in which the Group will take up a 61.04% equity interest for a total consideration of RMB77,215,000. The final equity interest will be adjusted based on the final outcome of the valuation report.

Qiqihar is the second largest city of Heilongjiang province and a provincial city directly under the auspices of the central government. It is the political, economic, technological, cultural, educational, commercial and transport hub of western Heilongjiang province, with seven districts, one city and eight municipalities under its jurisdiction. It is also one of the 13 larger provincial cities approved by the state council. Qiqihar has a population of approximately 5,600,000 and connectable natural gas households of approximately 1,480,000. It has access to an abundant supply of natural gas, with the Alaxin Gas Field only 60 kilometres away at Daxing county of Tailai municipality which, managed by the Daqing Oil Administration Bureau, has an oil reserve of over one billion cubic metres.

REVIEW OF OPERATIONS *(Cont'd)*

Heilongjiang Qiqihar Project *(Cont'd)*

Following the heels of the Changchun project, the Qiqihar project represents the Group's further success in arraying into the northeastern PRC market. It has strengthened the Group's base in piped gas development in the region, facilitated the Group's further acquisition of other projects, and increased the Group's solid standing in the gas fuel market.

Issue of Guaranteed Senior Notes

In September 2004, the Company successfully issued 8.25% guaranteed senior notes in the aggregate principal amount of US\$200,000,000 due 2011 (the "US Notes") jointly arranged by Morgan Stanley & Co. International Limited ("Morgan Stanley") and Merrill Lynch Far East Limited. The US Notes are listed on the Singapore Stock Exchange. The issue attracted enormous interests from international investors and was completed ahead of schedule. The US Notes have been rated BB+ and Ba1 by international rating agencies Standard and Poor's Rating Group, Inc. and Moody's Investors Services, Inc. respectively.

Financial Position

The Group continued to enjoy a healthy financial position. As at 30 September 2004, the Group's cash and cash equivalent amounted to approximately HK\$2,309,760,000. Following the successful issue of the US Notes in September 2004. The strong cash position enables the Group to undertake new development projects and further expand its operations.

As at 30 September 2004, the Group's bank loans and other borrowings amounted to approximately HK\$1,991,025,000, of which approximately HK\$1,559,000,000 arose from the issue of the US Notes in September 2004 and approximately HK\$372,016,000 arose from the Group's issue of 5-year convertible bonds in April 2003 arranged by Morgan Stanley. 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 13.23 times and is in a net cash position. With strong financial resources, the Group is well positioned to maintain a smooth operation for its businesses.

PROSPECTS

In view of the PRC government's policy to further open up the oil and gas sectors to foreign investors, in particular the natural gas production chain where the barrier to foreign investment will be removed, the western PRC region with its abundant resources of natural gas offers huge investment opportunities. The Group will strive to seize the opportunities arising from the state's Western Development Plan, focusing on the expansion of natural gas projects in markets such as Sichuan and Chongqing. Moreover, the Group will increase its investment in the northeastern PRC region by using Changchun Gas as an entry point and capitalising on the favourable policies offered by the state to revitalise the northeastern industrial base, so as to capture the unprecedented opportunities. All in all, the Group will continue to add high quality gas projects and increase its economies-of-scale advantages.

Having successfully met the challenges arising from rising oil prices and volatile market conditions during the period under review, the management is confident that the Group will be able to overcome new competition and challenges in the future. The Group will adopt preemptive measures to actively manage its operating risks in order to achieve sustainable growth and stronger results amidst the rapid growth of the PRC economy.

OTHER INFORMATION**DISCLOSURE OF INTERESTS****Directors' Interests or short positions in Shares and in share options**

At 30 September 2004, the interests and short positions of the Directors of the Company in the 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
	Long positions/(Short positions)					
	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"). 64.44% 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 (iii) 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 30.9.2004	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 – 03.04.2011	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. These options represent personal interest held by the directors as beneficial owner.

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 corporations
			Beneficial owner	Held by spouse		
Ou Yaping	Sinolink	1,494,222,000 <i>(Note 1)</i>	–	6,475,920	1,500,697,920 <i>(Note 1)</i>	64.72%
	Enerchina Holdings Limited	849,038,775 <i>(Note 2)</i>	–	–	849,038,775 <i>(Note 2)</i>	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 64.44% 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	Approximate percentage of the issued share capital of associated corporations
Chen Wei	Sinolink	14.03.2002	01.12.2002 – 01.12.2005	0.56	6,400,000	0.28%
Ou Yaping	Enerchina	09.06.2004	09.06.2004 – 08.06.2014	0.44	2,288,000	0.10%
Tang Yui Man, Francis	Enerchina	09.06.2004	09.06.2004 – 08.06.2014	0.44	22,880,000	1.00%

The vesting period of the share options is from the date of grant until the commencement of the exercise period. Those options represent personal interest held by the Directors as beneficial owner.

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 September 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)		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
		Held by 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)	63.55% (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 September 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.

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 3 members comprising 3 independent non-executive directors, Messrs. Cheung Hon Kit, Li Xiao Ru and Ge Ming. 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 financial report for the nine months ended 30 September 2004. In carrying out this review, the audit committee has obtained explanations from management.

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.

By Order of the Board
CHEN Wei
Managing Director

Hong Kong, 12 November 2004