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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Panva Gas Holdings Limited** (the “Company”), you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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PANVA GAS HOLDINGS LIMITED

百江燃氣控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8132)

DISCLOSEABLE AND CONNECTED TRANSACTION

FORMATION OF A JOINT VENTURE COMPANY SHANDONG PANVA GAS CO. LTD.

Independent financial adviser to the Independent Board Committee and the Shareholders



A letter from the Board is set out on pages 4 to 9 of this circular. A letter from the Independent Board Committee is set out on pages 10 to 11 of this circular.

A letter of advice from DBS Asia, the independent financial adviser to the Independent Board Committee and the Shareholders, containing its advice to the Independent Board Committee and the Shareholders is set out on pages 12 to 16 of this circular.

This circular will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for 7 days from the day of its posting.

8 September 2005

* For identification purpose only

CHARACTERISITICS OF GEM

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 of the Stock Exchange 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.

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Board”	the board of Directors
“Company”	Panva Gas Holdings Limited (Stock Code: 8132), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“DBS Asia”	DBS Asia Capital Limited, being the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the JV Agreement and the connected transactions contemplated thereunder and a licensed corporation for types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO
“Director(s)”	the director(s) of the Company
“Enerchina”	Enerchina Holdings Limited (Stock Code: 622), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended from time to time
“Group”	the Company and its subsidiaries (as defined in the GEM Listing Rules)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huaxinlian Investment”	深圳市華信聯投資有限公司 (Shenzhen Huaxinlian Investment Limited Liability Company*), a company incorporated in the PRC, being an Independent Third Party
“Independent Board Committee”	the committee of the Board, comprising Messrs. Cheung Hon Kit, Ge Ming and Li Xiao Ru, being independent non-executive Directors, formed to advise the Shareholders in respect of the JV Agreement

DEFINITIONS

“Independent Third Party”	an independent third party which is not connected with the chief executive, directors, substantial shareholders of the Company or any of its subsidiaries and their respective associates
“Jinan Gas”	濟南市煤氣公司 (Jinan City Gas Co. Ltd*), a company incorporated in the PRC with limited liability
“Jinan Panva”	濟南百江燃氣有限公司 (Jinan Panva Gas Co. Ltd.*), a sino-foreign equity joint venture company established in the PRC, in which the Company indirectly holds a 51% interest
“JV Agreement”	the sino-foreign joint venture agreement dated 16 August 2005 entered into between Panriver Investments, Jinan Gas and Huaxinlian Investment relating to the establishment of Shandong Panva
“Kenson”	Kenson Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Enerchina
“Latest Practicable Date”	6 September 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“LPG”	liquefied petroleum gas
“Panriver Investments”	Panriver Investments Company Limited, a PRC wholly foreign-owned enterprise and an indirect wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China, which for the purposes of this circular, excludes, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shandong Panva”	山東百江燃氣有限公司 (Shandong Panva Gas Co. Ltd.*), a sino-foreign equity joint venture to be established pursuant to the JV Agreement
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	registered holder(s) of the Shares
“Sinolink”	Sinolink Worldwide Holdings Limited (Stock Code: 1168), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	as such term is defined in the GEM Listing Rules
“Supreme All”	Supreme All Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Enerchina
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

For the purpose of illustration only and unless otherwise stated, the conversion of Renminbi into Hong Kong dollars is based on the exchange rate of HK\$1.00 = RMB1.04. Such conversion should not be constructed as a representation that the amount in question has been, could have been or could be converted at any particular rate or at all.



PANVA GAS HOLDINGS LIMITED

百江燃氣控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8132)

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:

FOK Kin-ning, Canning
TO Chi Keung, Simon
(alternate director to FOK Kin-ning, Canning)

Independent Non-executive Directors:

CHEUNG Hon Kit
GE Ming
LI Xiao Ru

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 in Hong Kong:*

28th Floor, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

8 September 2005

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

**FORMATION OF A JOINT VENTURE COMPANY
SHANDONG PANVA GAS CO. LTD.**

INTRODUCTION

On 17 August 2005, the Board announced that Panriver Investments (an indirect wholly-owned subsidiary of the Company), Jinan Gas and Huaxinlian Investment had on 16 August 2005 entered into the JV Agreement in relation to the setting up and the operation of Shandong Panva.

* *For identification purpose only*

LETTER FROM THE BOARD

The Independent Board Committee, comprising Messrs. Cheung Hon Kit, Ge Ming and Li Xiao Ru has been formed to consider the terms of the JV Agreement. DBS Asia has been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders as to whether the terms of the JV Agreement are fair and reasonable and whether the connected transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. The letter of the Independent Board Committee and the letter of advice from DBS Asia are set out on pages 10 to 11 and pages 12 to 16 respectively of this circular.

The purpose of this circular is to (i) provide you with further information on the JV Agreement; and (ii) set out the letter of advice from DBS Asia to the Independent Board Committee and the Shareholders.

JV AGREEMENT

Date

16 August 2005

Parties

- (1) Jinan Gas
- (2) Panriver Investments
- (3) Huaxinlian Investment

Jinan Gas is a company incorporated in the PRC, which is wholly-owned by the municipal government of Shandong Province, the PRC. Panriver Investments is an indirect wholly-owned subsidiary of the Company. Huaxinlian Investment is a company incorporated in the PRC, the principal business of which is investment holding. The Directors confirm that, to the best of the knowledge, information and belief of the Directors, after making all reasonable enquiries, Huaxinlian Investment and its ultimate beneficial owner(s) is an Independent Third Party.

Proposed Name of the Joint Venture

山東百江燃氣有限公司 Shandong Panva Gas Co. Ltd

LETTER FROM THE BOARD

Registered Capital of Shandong Panva and Contributions

Under the terms of the JV Agreement, the registered capital of Shandong Panva will be RMB400 million (equivalent to approximately HK\$384.6 million), which will be contributed by the parties as follows:

Jinan Gas:	50%	-	RMB200 million	(equivalent to approximately HK\$192.3 million)
Panriver Investments:	48%	-	RMB192 million	(equivalent to approximately HK\$184.6 million)
Huaxinlian Investment:	2%	-	RMB8 million	(equivalent to approximately HK\$7.7 million)

The respective proportion to be contributed by each of the parties to the JV Agreement was determined as a result of negotiations between the parties on an arm's length basis and on normal commercial terms, taking into account of the value of the assets to be injected into Shandong Panva by Jinan Gas, their respective internal resources and the future development of the joint venture. The capital contribution of Jinan Gas will be by way of its operational assets and liabilities as assessed by a qualified PRC accountant appointed by Jinan Gas with the approval of Panriver Investments and Huaxinlian Investment, whilst the capital contribution of Panriver Investments and Huaxinlian Investment will be by way of cash. The qualified PRC accountant will be an Independent Third Party.

Duration of Shandong Panva

50 years from the date of the issue of the business licence of Shandong Panva.

Scope of Business of Shandong Panva

In accordance with the JV Agreement, the scope of business of Shandong Panva will be the construction, development and operation of piped gas business, gas related business such as gas stations, the wholesale, storage, processing, transportation and retail of LPG and natural gas, the manufacture and sale of natural gas and LPG household appliances and related products, the provision of installation and maintenance services and the design, construction and operation of natural gas and LPG related facilities.

Conditions Precedent

The JV Agreement is conditional upon (i) the obtaining of the relevant approvals from the appropriate PRC authorities; and (ii) the obtaining of the relevant independent shareholders' approval(s) (or waivers thereof).

Since Kenson and Supreme All, who collectively hold 570,724,987 Shares (representing approximately 60.57% of the total issued share capital of the Company), have already approved in writing the JV Agreement and the connected transactions contemplated thereby, condition (ii) has already been satisfied. As at the Latest Practicable Date, the relevant approvals in respect of the JV Agreement from the appropriate PRC authorities have not yet been obtained, therefore condition (i) has not been satisfied.

LETTER FROM THE BOARD

Capital Contribution

Under the JV Agreement, Jinan Gas shall transfer its operational assets and liabilities, which primarily consists of gas pipelines, within 90 days from the date of issue of the business licence of Shandong Panva.

For each of Panriver Investments and Huaxinlian Investment, 40% of their respective capital contributions shall be paid within 30 days from the date of the issue of the business licence of Shandong Panva, another 30% of their respective capital contributions shall be paid within 60 days from the date of the issue of the business licence of Shandong Panva, with the remaining 30% of their respective capital contributions to be paid within 90 days of the date of issue of the business licence of Shandong Panva.

The capital contribution of Panriver Investments, being the sum of RMB192 million (equivalent to approximately HK\$184.6 million) will be paid out of the internal resources of the Group.

Under the JV Agreement, the total investment for Shandong Panva is RMB405 million (equivalent to approximately HK\$389.4 million). The Group expects any further investments that may be required by Shandong Panva will be funded by the internal resources of Shandong Panva and/or bank loans.

As at the Latest Practicable Date, the business licence of Shandong Panva has not yet been issued by the relevant PRC authorities.

Profit Sharing and Board Composition

Any profits of Shandong Panva, after deducting taxation and all necessary expenses, shall be distributed to Jinan Gas, Panriver Investments and Huaxinlian Investment in proportion to their respective contributions to the registered capital of Shandong Panva. It is proposed that the board of directors of Shandong Panva will comprise 10 directors, of which 5 directors shall be nominated by Jinan Gas, 4 directors shall be nominated by Panriver Investments and the remaining director shall be nominated by Huaxinlian Investment. Upon its establishment, Shandong Panva will be accounted for as an associated company of the Group.

Duties and Responsibilities

The main responsibilities of Panriver Investments shall be to make capital contribution into Shandong Panva, nominate directors and management officers, assist in recruiting local and foreign employees, assist Shandong Panva in acquiring the necessary raw materials, machinery, facilities or other necessary equipment and to deal with any other matters as delegated by Shandong Panva. Under the JV Agreement, Jinan Gas shall be responsible for effecting the transfer of the operational assets and liabilities, assisting Shandong Panva to obtain the necessary approvals, business licence and other documents from the relevant PRC authorities and assisting Shandong Panva to obtain any PRC loan facilities, if necessary.

LETTER FROM THE BOARD

CONNECTED TRANSACTION

Jinan Gas holds 49% interests in Jinan Panva, a non-wholly owned subsidiary of the Company and accordingly Jinan Gas is a connected person of the Company for the purposes of Chapter 20 of the GEM Listing Rules. Therefore, the JV Agreement constitutes a discloseable and connected transaction for the Company under Chapters 19 and 20 of the GEM Listing Rules. Pursuant to the GEM Listing Rules, the connected transactions contemplated by the JV Agreement are subject to the reporting, announcement and independent shareholders' approval requirements.

The Independent Board Committee, comprising Messrs. Cheung Hon Kit, Ge Ming and Li Xiao Ru has been formed to consider the terms of the JV Agreement and the matters referred to above. DBS Asia has been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders as to whether the terms of the JV Agreement are fair and reasonable and whether the connected transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

Pursuant to Rule 20.43 of the GEM Listing Rules, a written shareholders' approval obtained from a shareholder or closely allied group of shareholders who (together) hold more than 50% in nominal value of the securities giving the right to attend and vote at a general meeting to approve the connected transaction may be accepted in lieu of holding a general meeting if no shareholder of the listed issuer is required to abstain from voting if the listed issuer were to convene such a general meeting. Both Kenson, who holds 401,233,462 Shares (representing approximately 42.58% of the total issued share capital of the Company) and Supreme All, who holds 169,492,525 Shares (representing approximately 17.99% of the total issued share capital of the Company), have approved in writing the JV Agreement and the connected transactions contemplated thereunder. The Board confirms, having made all reasonable enquiries, that no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the JV Agreement and no Shareholders have any interest in the JV Agreement. Accordingly, the Company has applied to the Stock Exchange for a waiver from the requirement to convene a general meeting to approve the JV Agreement and the connected transactions contemplated thereby.

REASONS FOR ENTERING INTO THE JV AGREEMENT

The Board are of the opinion that, by entering into the JV Agreement and establishing Shandong Panva, the Group can further strengthen its gas business by developing and expanding its end-user customer base and market share in Jinan. Jinan is the capital of Shandong Province, a coastal province in eastern PRC.

The Group already has a presence in Jinan, Shandong Province through Jinan Panva, a sino-foreign equity joint venture company owned as to 51% by Panriver Investments and as to 49% by Jinan Gas. Jinan Panva is principally engaged in the provision of natural gas and related services and gas pipeline construction in a residential area in the western part of the city of Jinan. The establishment of Shandong Panva will supplement the existing operations of Jinan Panva since it is envisaged that Shandong Panva will operate the existing piped gas business in the city centre of Jinan and would therefore represent a logical integration of the business of the Group in Shandong Province, the PRC.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) consider that the terms of the JV Agreement are fair and reasonable and whether the connected transactions contemplated thereunder are in the interests of the Group and the Shareholders as a whole.

INFORMATION ON THE GROUP

The Group is principally engaged in the sale and distribution of natural gas and LPG in the Eastern, Central and Southwest regions of the PRC. The main activities of the Group include the sale of LPG in bulk and in cylinders, the provision of piped natural gas and LPG, and the sale of natural gas and LPG household appliances.

RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 10 to 11 of this circular which contains the recommendation from the Independent Board Committee to the Shareholders concerning the JV Agreement and the transactions contemplated thereunder; (ii) the letter of advice from DBS Asia, the independent financial adviser to the Independent Board Committee and the Shareholders set out on pages 12 to 16 of this circular which contains the recommendation of DBS Asia to the Independent Board Committee and the Shareholders in relation to the JV Agreement and the principal factors considered by DBS Asia in arriving at its recommendation.

Having taken into account the advice from DBS Asia and in particular the principal factors set out in the letter of advice from DBS Asia, the Independent Board Committee considers that the terms of the JV Agreement are fair and reasonable and the connected transactions contemplated thereunder are in the interests of the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee and letter of advice from DBS Asia, the independent financial adviser to the Independent Board Committee and the Shareholders, and the additional information set out in the appendix to this circular.

By Order of the Board
Panva Gas Holdings Limited
Chen Wei
Managing Director



PANVA GAS HOLDINGS LIMITED

百江燃氣控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8132)

8 September 2005

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

**FORMATION OF A JOINT VENTURE COMPANY
SHANDONG PANVA GAS CO. LTD.**

We refer to the circular (the “Circular”) dated 8 September 2005 issued by the Company, of which this letter forms part. The terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

In an announcement jointly issued by the Company, Sinolink and Enerchina dated 17 August 2005, it was announced that Panriver Investments (an indirect wholly-owned subsidiary of the Company), Jinan Gas and Huaxinlian Investment had on 16 August 2005 entered into the JV Agreement in relation to the setting up and operation of Shandong Panva.

Jinan Gas holds 49% interests in Jinan Panva, a non-wholly owned subsidiary of the Company and accordingly Jinan Gas is a connected person of the Company for the purposes of Chapter 20 of the GEM Listing Rules. Therefore, the JV Agreement constitutes a discloseable and connected transaction for the Company under Chapters 19 and 20 of the GEM Listing Rules. Pursuant to the GEM Listing Rules, the connected transactions contemplated by the JV Agreement are subject to the reporting, announcement and independent shareholders’ approval requirements.

Pursuant to Rule 20.43 of the GEM Listing Rules, a written shareholders’ approval obtained from a shareholder or closely allied group of shareholders who (together) hold more than 50% in nominal value of the securities giving the right to attend and vote at a general meeting to approve the connected transaction may be accepted in lieu of holding a general meeting if no shareholder of the listed issuer is required to abstain from voting if the listed issuer were to convene such a general meeting. Both Kenson, who holds 401,233,462 Shares (representing approximately 42.58% of the total issued share capital of the Company) and Supreme All, who holds 169,492,525 Shares (representing approximately 17.99% of the total issued share capital of the Company), have approved in writing the JV Agreement and the connected transactions contemplated thereunder. The Board confirms, having made all reasonable enquiries,

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

that no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the JV Agreement and no Shareholders have any interest in the JV Agreement. Accordingly, the Company has applied to the Stock Exchange for a waiver from the requirement to convene a general meeting to approve the JV Agreement and the connected transactions contemplated thereunder.

We have been formed to make a recommendation to the Shareholders as to whether or not the terms of the JV Agreement are fair and reasonable so far as the Shareholders are concerned and whether the connected transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. DBS Asia has been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders on, inter alia, the aforesaid matters. The terms of, and the reasons for entering into, the JV Agreement are summarised in the Letter from the Board set out on pages 4 to 9 of the Circular. As your Independent Board Committee, we have discussed with the management of the Company the reasons for entering into the JV Agreement and the basis upon which the terms of the JV Agreement have been determined. We have also considered the key factors taken into account by DBS Asia in arriving at its opinion regarding the terms of the JV Agreement, as set out in its letter of advice, as set out on pages 12 to 16 of the Circular, which we urge you to read carefully.

Having taken into account the terms of the JV Agreement, and the advice from DBS Asia, we consider that the terms of the JV Agreement were entered into on normal commercial terms and in the ordinary course of business of the Group and that the terms of the JV Agreement are fair and reasonable so far as the Shareholders are concerned and the connected transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, if a general meeting of the Shareholders were to be convened, we would recommend that the Shareholders should vote in favour of the resolutions to approve the JV Agreement and the connected transactions contemplated thereunder.

Yours faithfully

For and on behalf of Independent Board Committee
Cheung Hon Kit Ge Ming Li Xiao Ru

LETTER FROM DBS ASIA

The following is the text of a letter of advice from DBS Asia to the Independent Board Committee and the Shareholders in respect of the connected transactions contemplated under the JV Agreement, and is prepared for incorporation into this circular.



8 September 2005

*To the Independent Board Committee
and the Shareholders*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION FORMATION OF A JOINT VENTURE COMPANY SHANDONG PANVA GAS CO. LTD.

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Shareholders in relation to the formation of a joint venture company, namely, Shandong Panva Gas Co. Ltd., details of which are contained in the circular (the "Circular") to the Shareholders dated 8 September 2005, of which this letter forms part. Expressions used in this letter shall have the same meaning as defined in the Circular.

Jinan Gas holds 49% interest in Jinan Panva, an indirect non-wholly owned subsidiary of the Company, and is accordingly a connected person of the Company for the purposes of Chapter 20 of the GEM Listing Rules. The JV Agreement constitutes a discloseable and connected transaction for the Company under Chapters 19 and 20 of the GEM Listing Rules.

Our scope of work under this engagement is to assess the fairness and reasonableness of the terms of the JV Agreement insofar as the Shareholders are concerned, and whether, from this perspective, the JV Agreement is in the interests of the Shareholders as a whole. It is not within our scope of work to opine on any other aspects of the JV Agreement. In addition, it is not within our terms of reference to comment on the commercial merits of the JV Agreement, which remains the responsibility of the Directors.

In arriving at our opinion, we have relied on the information, opinions and facts supplied, and representations made to us, by the Directors, and advisers and representatives of the Company (including those contained or referred to in the Circular). We have also assumed that the information and representations contained or referred to in the Circular were true and accurate in all material respects at the time they were made and continue to be so at the date of the dispatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, and advisers and representatives of the Company. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable, and we have not independently verified the accuracy of such information. We have been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company or any of its respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion with regard to the terms of the JV Agreement, we have considered the principal factors and reasons set out below:

1. BACKGROUND

Businesses of the Company, Sinolink and Enerchina

The Group is principally engaged in the sale and distribution of natural gas and LPG in the eastern, central and southwest regions of the PRC. The main activities of the Group include the sale of LPG in bulk and in cylinders, the provision of piped natural gas and LPG, and the sale of natural gas and LPG household appliances.

Sinolink and its subsidiaries are principally engaged in property development, the generation and supply of electricity in the PRC, the sale and distribution of LPG and natural gas, and the construction of gas pipelines in the PRC.

Enerchina and its subsidiaries are principally engaged in the generation and supply of electricity in the PRC, the sale and distribution of LPG and natural gas and the construction of gas pipelines in the PRC and investment holdings.

Reasons for entering into the JV Agreement

As set out in the “Letter from the Board” in the Circular, the Board is of the opinion that, by entering into the JV Agreement and establishing Shandong Panva, the Group can further strengthen its gas business by developing and expanding its end-user customer base and market share in Jinan. Jinan is the capital of Shandong Province, a coastal province in eastern PRC.

The Group already has a presence in Jinan, Shandong Province through Jinan Panva, a sino-foreign equity joint venture company owned as to 51% by Panriver Investments and as to 49% by Jinan Gas. Jinan Panva is principally engaged in the provision of natural gas and related services and gas pipeline construction in a residential area in the western part of the city of Jinan. According to the Directors, the establishment of Shandong Panva will supplement the existing operations of Jinan Panva since it is envisaged that Shandong Panva will operate the existing piped gas business in the city centre of Jinan and would therefore represent a logical integration of the business of the Group in Shandong Province, the PRC.

LETTER FROM DBS ASIA

Given that the principal business of the Group is the sale and distribution of natural gas and LPG, we consider that the formation of Shandong Panva is within the normal and ordinary course of business of the Group.

2. KEY TERMS OF THE JV AGREEMENT

Duration of Shandong Panva

50 years from the date of the issue of the business licence of Shandong Panva.

Scope of Business of Shandong Panva

In accordance with the JV Agreement, the scope of business of Shandong Panva will be the construction, development and operation of piped gas business, gas related business such as gas stations, the wholesale, storage, processing, transportation and retail of LPG and natural gas, the manufacture and sale of natural gas and LPG household appliances and related products, the provision of installation and maintenance services and the design, construction and operation of natural gas and LPG related facilities.

Registered Capital of Shandong Panva and Contributions

Under the terms of the JV Agreement, the registered capital of Shandong Panva will be RMB400 million (equivalent to approximately HK\$384.6 million), which will be contributed by the parties as follows:

Jinan Gas:	50%	–	RMB200 million	(equivalent to approximately HK\$192.3 million)
Panriver Investments:	48%	–	RMB192 million	(equivalent to approximately HK\$184.6 million)
Huaxinlian Investment:	2%	–	RMB8 million	(equivalent to approximately HK\$7.7 million)

According to the Board, the respective proportion to be contributed by each of the parties to the JV Agreement was determined as a result of negotiations between the parties on an arm's length basis and on normal commercial terms, taking into account of the value of the assets to be injected into Shandong Panva by Jinan Gas, their respective internal resources and the future development of the joint venture. The capital contribution of Jinan Gas will be contributed by way of its operational assets and liabilities as assessed by a qualified PRC accountant appointed by Jinan Gas with the approval of Panriver Investments and Huaxinlian Investment, whilst the capital contribution of Panriver Investments and Huaxinlian Investment will be contributed by way of cash. The qualified PRC accountant will be an Independent Third Party.

We consider that the above arrangement represents a reasonable basis for the determination of the value of assets to be injected into Shandong Panva by Jinan Gas.

Capital Contribution

Under the JV Agreement, Jinan Gas shall transfer its operational assets and liabilities, which consist primarily of gas pipelines, within 90 days from the date of issue of the business licence of Shandong Panva. For each of Panriver Investments and Huaxinlian Investment, 40% of the amount to be contributed shall be paid within 30 days from the date of the issue of the business licence of Shandong Panva, another 30% of the amount to be contributed shall be paid within 60 days from the date of the issue of the business licence of Shandong Panva, with the remaining 30% to be contributed within 90 days of the date of issue of the business licence of Shandong Panva. The capital contribution of Panriver Investments, being the sum of RMB192 million (equivalent to approximately HK\$184.6 million), will be paid out of the internal resources of the Group.

Under the JV Agreement, the total investment for Shandong Panva is RMB405 million (equivalent to approximately HK\$389.4 million). The Group expects any further investments that may be required by Shandong Panva will be funded by the internal resources of Shandong Panva and/or bank loans. The Directors advised that the capital contribution of Panriver Investments is not expected to have material adverse impact on the working capital of the Group. We have discussed with the Company the impact of the capital contribution of Panriver Investments on the working capital position of the Group and have reviewed the financial statements of the Group for the six months ended 30 June 2005. We are satisfied that the Company has conducted appropriate review on its working capital requirements in undertaking the joint venture investment and that the capital contribution of Panriver Investments is not expected to have material adverse impact on the working capital of the Group.

Adjustment mechanism

The capital contribution of Jinan Gas will be contributed by way of its operational assets and liabilities subject to an assessment (the "Assessment") by a qualified PRC accountant appointed by Jinan Gas with the approval of Panriver Investments and Huaxinlian Investment. The capital contribution of Jinan Gas shall be adjusted, where appropriate, by the results of the Assessment (subject to the negotiation and approval of the shareholders of Shandong Panva) and in the event that there are changes to the operational assets and liabilities of Jinan Gas prior to the effective date of the transfer.

Profit Sharing and Board Composition

Any profits of Shandong Panva, after deducting taxation and all necessary expenses, shall be distributed to Jinan Gas, Panriver Investments and Huaxinlian Investment in proportion to their respective contributions to the registered capital of Shandong Panva. It is proposed that the board of directors of Shandong Panva will comprise 10 directors, of which 5 directors shall be nominated by Jinan Gas, 4 directors shall be nominated by Panriver Investments and the remaining director shall be nominated by Huaxinlian Investment. Upon its establishment, Shandong Panva will be accounted for as an associated company of the Group. We consider that such profit sharing arrangement and board composition is fair and reasonable since it is in proportion to the parties' respective contributions to the registered capital of Shandong Panva, whether by way of the value of assets to be injected or by cash.

Duties and Responsibilities

The main responsibilities of Panriver Investments shall be to make capital contribution into Shandong Panva, nominate directors and management officers, assist in recruiting local and foreign employees, assist Shandong Panva in acquiring the necessary raw materials, machinery, facilities or other necessary equipment and to deal with any other matters as delegated by Shandong Panva. Under the JV Agreement, Jinan Gas shall be responsible for effecting the transfer of the operational assets and liabilities, assisting Shandong Panva to obtain the necessary approvals, business licence and other documents from the relevant PRC authorities, and assisting Shandong Panva to obtain any PRC loan facilities, if necessary.

3. BACKGROUND OF THE PARTIES TO THE JV AGREEMENT

The parties to the JV Agreement are Panriver Investments, Jinan Gas and Huaxinlian Investment. Panriver Investments is an indirect wholly-owned subsidiary of the Company.

Jinan Gas is a company incorporated in the PRC, which is wholly-owned by the municipal government of Shandong Province, the PRC. Jinan Gas holds 49% interests in Jinan Panva, an indirect non-wholly owned subsidiary of the Company, which in turn is an indirect non-wholly owned subsidiary of Sinolink and of Enerchina.

Huaxinlian Investment is a company incorporated in the PRC, the principal business of which is investment holding. The Directors confirm that, to the best of the knowledge, information and belief of the Directors, after making all reasonable enquiries, Huaxinlian Investment and its ultimate beneficial owner(s) are Independent Third Parties.

We note that the principal partner of the Company for the joint venture is wholly-owned by the municipal government of Shandong Province.

RECOMMENDATIONS

Having considered the principal factors and reasons referred to in the above, we are of the opinion that the terms of the JV Agreement are fair and reasonable so far as the Shareholders are concerned and the connected transactions contemplated thereunder are in the interests of the Shareholders as a whole. If a general meeting of the Shareholders were to be convened, we would advise the Independent Board Committee to recommend the Shareholders to vote in favour of the resolutions to approve the JV Agreement and the connected transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
DBS ASIA CAPITAL LIMITED
Kelvin S.K. Lau
Managing Director

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief,

- (i) the information contained in this circular is accurate and complete in all material aspects and not misleading;
- (ii) there are no other matters the omission of which would make any statement herein misleading; and
- (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which are required, pursuant to Rules 5.46 to 5.67 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)		Total interest in Shares			
	Beneficial owner	Interest of controlled corporations				
Chen Wei	4,160,000	–	4,160,000	8,040,000	12,200,000	1.29%
Cheung Hon Kit	–	–	–	800,000	800,000	0.08%
Ge Ming	–	–	–	800,000	800,000	0.08%
Li Fujun	1,000,000	–	1,000,000	2,600,000	3,600,000	0.38%
Li Xiao Ru	–	–	–	800,000	800,000	0.08%
Ou Yaping	–	575,806,587	575,806,587	3,600,000	579,406,587	61.49%
	–	(19,230,769)	(19,230,769)	–	(19,230,769)	(2.04%)
			(Note)			
Shen Lian Jin	–	–	–	2,300,000	2,300,000	0.24%
Tang Yui Man Francis	5,440,000	–	5,440,000	3,960,000	9,400,000	1.00%
Zhang Keyu	–	–	–	2,000,000	2,000,000	0.21%

Note: The 575,806,587 Shares represent (i) 401,233,462 Shares held by Kenson. (ii) 169,491,525 share held by Supreme All. Approximately 74.79% interests in Enerchina are held by Sinolink, which in turn is held as to approximately 58.44% by Asia Pacific Promotion Limited (“Asia Pacific”). Mr. Ou Yaping is the sole beneficial owner of Asia Pacific. Mr. Ou Yaping is deemed under the SFO to be interested in these Shares; and (iii) 5,081,600 Shares held by Asia Pacific directly.

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 redeemable note (the “Note”) held by Hutchison International in accordance with the terms and conditions of the Note.

Directors’ interest in share options granted by the Company

Pursuant to the share option schemes of the Company, the Company has granted options to subscribe for Shares in favour of certain Directors, details of which as at the Latest Practicable Date are as follows:

Name of Directors	Date of grant	Exercise period	Exercise price HK\$	Number of Shares subject to outstanding options	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	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%

Name of Directors	Date of grant	Exercise period	Exercise price HK\$	Number of Shares subject to outstanding options as at the Latest Practicable Date	Approximate percentage of the Company's issued share capital
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%
Tang Yui Man Francis	13.11.2001	13.11.2002 – 13.02.2007	0.940	960,000	0.10%
	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. These options represent personal interests held by the Directors as beneficial owners.

Interests in shares of associated corporations

Name of Directors	Name of associated corporations	Interest in shares			Interest in underlying shares pursuant to share options	Aggregate interest	Approximate percentage of the issued share capital of the associated corporation
		Interest of controlled corporations	Family interest	Total interest in shares			
Ou Yaping	Sinolink	1,374,222,000 <i>(Note 1)</i>	6,475,920	1,380,697,920	–	1,380,697,920	58.72%
	Enerchina	3,617,895,635	–	3,617,895,635 <i>(Note 2)</i>	2,288,000	3,620,183,635	74.83%
Chen Wei	Sinolink	–	–	–	12,000,000	12,000,000	0.51%
Shen Lian Jin	Sinolink	–	–	–	3,000,000	3,000,000	0.13%
Tang Yui Man Francis	Sinolink	–	–	–	19,000,000	19,000,000	0.81%
	Enerchina	–	–	–	22,880,000	22,880,000	0.47%
Zhang Keyu	Sinolink	–	–	–	2,000,000	2,000,000	0.09%

Notes:

- These 1,374,222,000 shares in Sinolink are held by Asia Pacific, which is legally and beneficially wholly owned by Mr. Ou Yaping.
- The 3,617,895,635 shares in Enerchina represent the aggregate of: (i) 3,393,905,282 shares held by Sinolink (Mr. Ou Yaping through his wholly-owned company, Asia Pacific, holds approximately 58.44% 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) 223,990,353 shares held by Smart Orient Investments Limited (“Smart Orient”). 100% interests in Smart Orient are held by Sinolink. Mr. Ou Yaping is deemed under the SFO to be interested in these shares.

Interests in options to subscribe for shares of associated corporations

Pursuant to the share option schemes of the relevant associated corporations, certain Directors were granted options to subscribe for shares of the relevant associated corporations, details of which as at the Latest Practicable Date are as follows:

Name of Directors	Name of associated corporations	Date of grant	Exercise period	Exercise price <i>HK\$</i>	Number of shares subject to outstanding options	Approximate percentage of the issued share capital of the relevant associated corporation
Chen Wei	Sinolink	28.12.2004	31.12.2005 – 24.05.2012	1.126	3,600,000	0.15%
		28.12.2004	30.06.2006 – 24.05.2012	1.126	3,600,000	0.15%
		28.12.2004	31.12.2006 – 24.05.2012	1.126	4,800,000	0.20%
Ou Yaping	Enerchina	09.06.2004	09.06.2004 – 08.06.2014	0.440	2,288,000	0.04%
Shen Lian Jin	Sinolink	28.12.2004	31.12.2005 – 24.05.2012	1.126	900,000	0.04%
		28.12.2004	30.06.2006 – 24.05.2012	1.126	900,000	0.04%
		28.12.2004	31.12.2006 – 24.05.2012	1.126	1,200,000	0.05%
Tang Yui Man Francis	Sinolink	28.12.2004	31.12.2005 – 24.05.2012	1.126	5,700,000	0.24%
		28.12.2004	30.06.2006 – 24.05.2012	1.126	5,700,000	0.24%
		28.12.2004	31.12.2006 – 24.05.2012	1.126	7,600,000	0.32%
	Enerchina	09.06.2004	09.06.2004 – 08.06.2014	0.440	22,880,000	0.47%
Zhang Keyu	Sinolink	28.12.2004	31.12.2005 – 24.05.2012	1.126	600,000	0.03%
		28.12.2004	30.06.2006 – 24.05.2012	1.126	600,000	0.03%
		28.12.2004	31.12.2006 – 24.05.2012	1.126	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 represent personal interests held by the Directors as beneficial owners.

Save as disclosed above, none of the Directors or chief executive of the Company (as defined in the GEM Listing Rules) had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the register of substantial shareholders 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 their relevant interests and short positions in the issued share capital of the Company:

Name	Capacity	Interest in Shares long positions/ (short positions)	Interest in underlying Shares pursuant to the Note/ debentures	Aggregate interests/(short positions)	Approximate percentage of the Company's issued share capital
Asia Pacific	Interest of controlled corporation and beneficial owner	575,806,587 (19,230,769) <i>(Note 1)</i>	–	575,806,587 (19,230,769)	61.11% (2.04%)
Sinolink	Interest of controlled corporation	570,724,987 (19,230,769)	–	570,724,987 (19,230,769)	60.57% (2.04%)
Enerchina	Interest of controlled corporation	570,724,987 (19,230,769) <i>(Note 1)</i>	–	570,724,987 (19,230,769)	60.57% (2.04%)
Kenson	Beneficial owner	401,233,462 (19,230,769) <i>(Note 1)</i>	–	401,233,462 (19,230,769)	42.58% (2.04%)
Supreme All	Beneficial owner	169,491,525 <i>(Note 1)</i>	–	169,491,525	17.99%
Deutsche Bank Aktiengesellschaft	Beneficial owner and hold of security interest in Shares	24,394,282 <i>(Note 2)</i>	48,081,000	72,475,282	7.69%
Hutchison International Limited	Beneficial owner	38,461,538	19,230,769	57,692,307 <i>(Note 3)</i>	6.12%

Name	Capacity	Interest in Shares long positions/ (short positions)	Interest in underlying Shares pursuant to the Note/ debentures	Aggregate interests/(short positions)	Approximate percentage of the Company's issued share capital
Hutchison Whampoa Limited	Interest of controlled corporation	38,461,538	19,230,769	57,692,307 (Note 3)	6.12%
Cheung Kong (Holdings) Limited	Interest of controlled corporation	38,461,538	19,230,769	57,692,307 (Note 4)	6.12%
Li Ka-shing	Interest of controlled corporation and as founder of discretionary trusts	38,461,538	19,230,769	57,692,307 (Note 4)	6.12%
Li Ka-Shing Unity Trustee Company Limited	Trustee	38,461,538	19,230,769	57,692,307 (Note 4)	6.12%
Li Ka-Shing Unity Trustcorp Limited	Trustee and beneficiary of a trust	38,461,538	19,230,769	57,692,307 (Note 4)	6.12%
Li Ka-Shing Unity Trustee Corporation Limited	Trustee and beneficiary of a trust	38,461,538	19,230,769	57,692,307 (Note 4)	6.12%
Value Partners Limited	Investment manager	48,000,000 (Note 5)	–	48,000,000	5.09%
Cheah Cheng Hye	Interest of controlled corporation	48,000,000 (Note 5)	–	48,000,000	5.09%

Notes:

1. Enerchina is interested in the entire issued share capital of Kenson and Supreme All. Enerchina is owned as to approximately 74.79% by Sinolink and Sinolink is in turn owned as to approximately 58.44% by Asia Pacific. Therefore, by virtue of Section 310 of Part XV of the SFO, the 401,233,462 Shares and 169,491,525 Shares in which Kenson and Supreme All are shown as being interested are included in and duplicate with interest in the Shares held by Enerchina, Sinolink and Asia Pacific. Mr. Ou Yaping is the sole beneficial shareholder of Asia Pacific. Mr. Ou Yaping is deemed under Part XV of the SFO to have an interest in the Shares held by Kenson and Supreme All.

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.

2. Deutsche Bank Aktiengesellschaft, an independent institutional investor of the Company, became a Shareholder since October 2004. It is a public Shareholder and its shareholding interest in the Company forms part of the 31.74% shareholding interest held by the public.
3. 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 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. By virtue of Part XV of the SFO, Hutchison Whampoa Limited is deemed to be interested in 57,692,307 Shares.

4. 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 Limited.

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 be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TDT1, TDT2, TUT1 and Cheung Kong are 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 Limited.

5. The 48,000,000 Shares are held by Value Partners Limited, a company which is held as to 32.77% by Mr. Cheah Cheng Hye. Accordingly, Mr. Cheah Cheng Hye is deemed to be interested in these Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors or chief executive of the Company are not aware of any person (not being a Director or chief executive of the Company), who has an interest or short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

COMPETING INTERESTS

Mr. FOK Kin-ning, Canning, non-executive director of the Company, is also the group managing director of Hutchison Whampoa Limited and the co-chairman of Husky Energy Inc.. The core businesses of Hutchison Whampoa Limited include energy and Husky Energy Inc. is engaged in integrated oil and gas business. Such businesses may compete, or is likely to compete, either directly or indirectly, with the business of the Group.

Save as disclosed above, as at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or any of their respective associates, has any interest in any business which competes or may compete, either directly or indirectly with any business of the Group.

INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the Group.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2004 (being the date to which the latest published audited consolidated accounts of the Group were made up).

LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

RIGHT TO DEMAND A POLL

Pursuant to Article 80 of the articles of association of the Company, at any general meeting of the Company a resolution put to the vote of the meeting shall be decided on a show of hand unless a poll is taken as may from time to time be required under the GEM Listing Rules or any other applicable laws, rules or regulations or unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

- (a) the Chairman of the meeting; or
- (b) at least five members of the Company present in person or by proxy and entitled to vote or who represent in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
- (c) any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

EXPERT AND CONSENT

- (a) DBS Asia is a licensed corporation under the SFO.
- (b) DBS Asia does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for shares in any member of the Group.
- (c) DBS Asia does not have any direct or indirect interest in any assets which have been since 31 December 2004 (being the date of which the latest published audited accounts of the Group were made up) acquired or disposed of by, or leased to, or which are proposed to be acquired to disposed of by or leased to, any member of the Group.
- (d) DBS Asia has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter dated 8 September 2005 and references to its name, in the form and context in which they respectively appear.

GENERAL

- (a) The branch share registrar in Hong Kong of the Company is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (b) The registered office of the Company is at Ugland House, P.O. Box 309 GT, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (c) The head office and principal place of business of the Company in Hong Kong is at 28th Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong.
- (d) The compliance officer of the Company appointed pursuant to Rule 5.19 of the GEM Listing Rules is Mr. Li Fujun, an executive Director.
- (e) The company secretary of the Company is Mr. Lo Tai On. Mr. Lo is a member of the Hong Kong Institute of Certified Public Accountants and has over 20 years of experience in the company secretarial field.
- (f) The chief financial officer and qualified accountant of the Company appointed pursuant to Rule 5.15 of the GEM Listing Rules is Mr. Yu Man To, Gerald, *MBA, CPA (Aus.), CPA*. Mr. Yu holds a Master's degree in Business Administration and a Bachelor's degree in Business and is a certified practising accountant in Australia and a certified public accountant in Hong Kong. Mr. Yu has over 15 years of experience in accounting, financial control and auditing.
- (g) The Company has established an audit committee with written terms of reference in compliance with Rules 5.29 to 5.30 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee comprises three independent non-executive

Directors, namely, Messrs. Cheung Hon Kit, Ge Ming and Li Xiao Ru, whose brief biographical details are set out below:

Mr. Cheung Hon Kit, aged 51, is an independent non-executive Director. Mr. Cheung graduated from the University of London with a Bachelor of Arts degree. He has worked in key executive positions in various leading property companies in Hong Kong. Currently, he is an executive director of ITC Corporation Limited and Paul Y-ITC Construction Holdings Limited, the managing director of Wing On Travel (Holdings) Limited and the chairman of Cheung Tai Hong Holdings Limited. Mr. Cheung has over 27 years of experience in real estate development, the property business and corporate finance. He is also a director of Hanny Holdings Ltd., International Entertainment Corporation and Innovo Leisure Recreation Holdings Limited. He has been an independent non-executive Director since January 2001.

Mr. Ge Ming, aged 53, is an independent non-executive Director. Mr. Ge has more than 22 years' experience in accounting and financial management. Mr. Ge holds a Master's degree in economics from the Research Institute of Fiscal Science attached to the Ministry of Finance, the PRC and is a member of the China Institute of Certified Public Accountants. Mr. Ge is an executive director of CCAF – E&Y Management Services Limited and has distinctive knowledge of the business regulatory environment in the PRC as well in Hong Kong. Mr. Ge is also an independent non-executive director of SECC Media Group Limited. He has been an independent non-executive Director since September 2004.

Mr. Li Xiao Ru, aged 48, is an independent non-executive Director. He was educated at Shanghai Foreign Language University in the PRC and received his Bachelor of Arts degree from Columbia University in the United States of America and his Jurist Doctor from New York University in the United States of America. He has worked at major international law firms in both New York and Hong Kong and became a partner of Morrison & Foerster in 2003. During the period from March 1998 to July 2001, he was the managing director of Hong Kong Construction (Holdings) Limited, a company listed on the Stock Exchange. Mr. Li is also an independent non-executive director of China HealthCare Holdings Limited and Great Wall Technology Company Limited. He has 14 years of experience in practicing international commercial law in Hong Kong and the PRC. He has been an independent non-executive Director since April 2003.

- (h) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the JV Agreement will be available for inspection at the offices of Woo, Kwan, Lee & Lo at 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up and including 22 September 2005.